

Bankia

Quarterly Results Presentation

1Q 2018

27 April 2018

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1Q 2018 HIGHLIGHTS

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1Q 2018 RESULTS

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ASSET QUALITY AND RISK MANAGEMENT

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LIQUIDITY AND SOLVENCY

5

CONCLUSIONS

> 1Q 2018 Highlights

1	BMN Integration	BMN integration executed in record time...	All branches now operate under the same brand
2	Asset quality	...reducing non-performing assets at a good pace...	Reduction of NPLs: €0.5bn Sales of foreclosed assets: +73% vs 1Q17
3	Capital generation	...and generating capital in yet another quarter	+22 bps CET1 FL capital generated in the quarter

> 1Q 2018 Highlights

Integration with BMN

Integration with BMN successfully completed in one quarter

Technological integration

- Integration completed this past March
- 259,000 training hours for BMN staff (86 hours per employee)
- All devices (displays, printers, telephones, ...) installed in all BMN offices (>20,000 units)
- 800 implementers sent to support integration

**ALL BMN CUSTOMERS NOW
BENEFITING FROM BANKIA
PRODUCTS AND CONDITIONS**

Branch closures

- All closures have been completed
- Branch Network now comprises 2,282 branches (-5% versus December 2017)
- All branches now operating under the Bankia brand
- Adaptation and substitution of ATMs (>1,000)

**UNIFIED NETWORK IN
RECORD TIME**

Progress in workforce reduction

- Labour Agreement signed 15 February
- 2,000 employees affected by the Agreement
- Implementation of Agreement during 2018:
 - First 1,180 exits in the month of April
 - 455 additional exits until June and rest (365) during rest of 2018

**WE WILL BEGIN TO CAPTURE
SYNERGIES STARTING IN MAY**

> 1Q 2018 Highlights

Reorganisation and access to new businesses

Insurance business

- Start of reorganisations of bancassurance business
- Agreement reached with AVIVA

Real estate and debt servicers

- Reorganisation of agreements with servicers of foreclosed assets and financial assets
- No impact on Group income statement

Other agreements with third parties

- **Credit Agricole Consumer Finance (CACF):** negotiation of JV for consumer finance at point of sale
- **Alphabet:** agreement signed to market vehicle renting services for customers (Bankia Renting Alphabet)
- **Paypal:** first agreement signed by Paypal with a bank in Spain, which will allow Bankia's customers to link their cards with Paypal or track their Paypal movements through Bankia App or portal.

> 1Q 2018 Highlights

Commercial positioning | **Commercial activity**

Positioning continues gaining traction



NET NEW CUSTOMERS

+ 163,000

MAR 18 vs MAR 17



DIRECT INCOME DEPOSIT

+ 95,000

MAR 18 vs MAR 17



CARDS TURNOVER

Bankia cards in merchants

+ 13.6%

MAR 18 vs MAR 17



POINT OF SALE TERMINALS TURNOVER

Total turnover

+16.0%

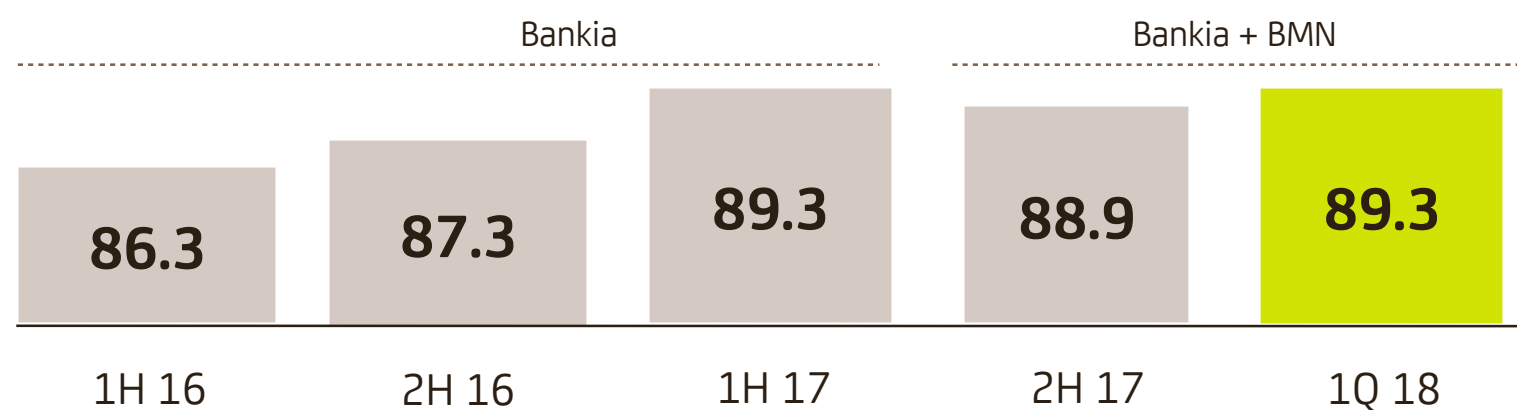
MAR 18 vs MAR 17

> 1Q 2018 Highlights

Commercial positioning | Customer satisfaction

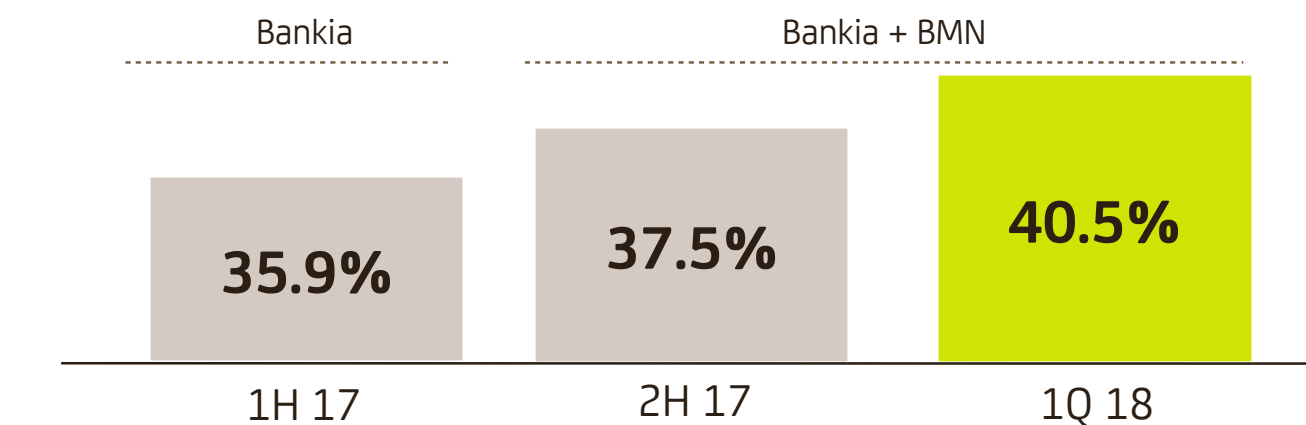
Positive trend in satisfaction indicators

CUSTOMERS SATISFACTION INDEX



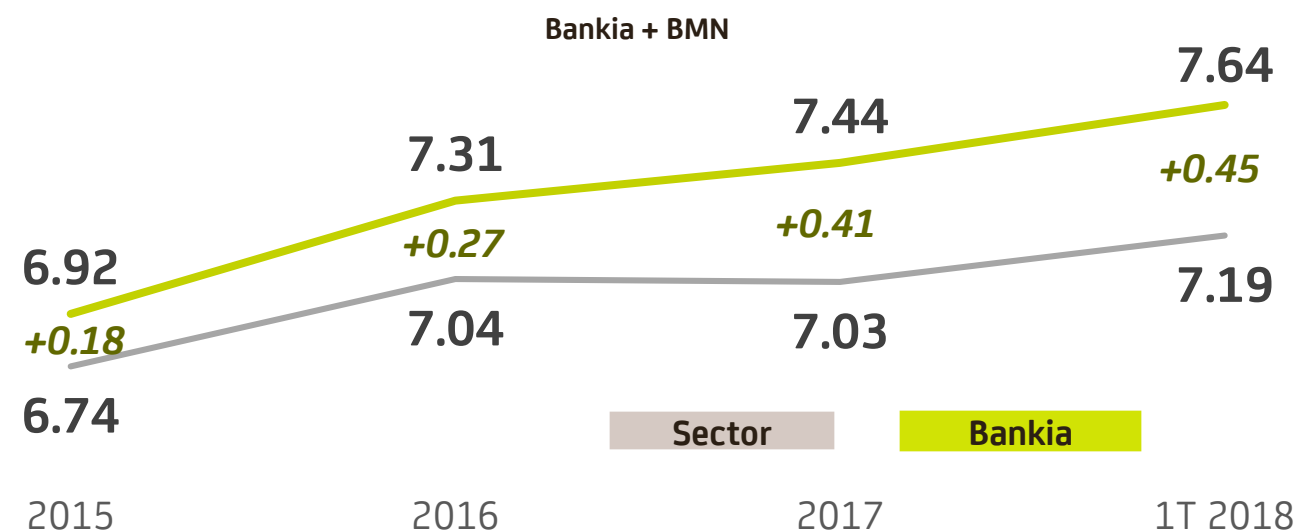
Source: Bankia

NET PROMOTER SCORE - BRANCHES



Source: Bankia

MYSTERY SHOPPER

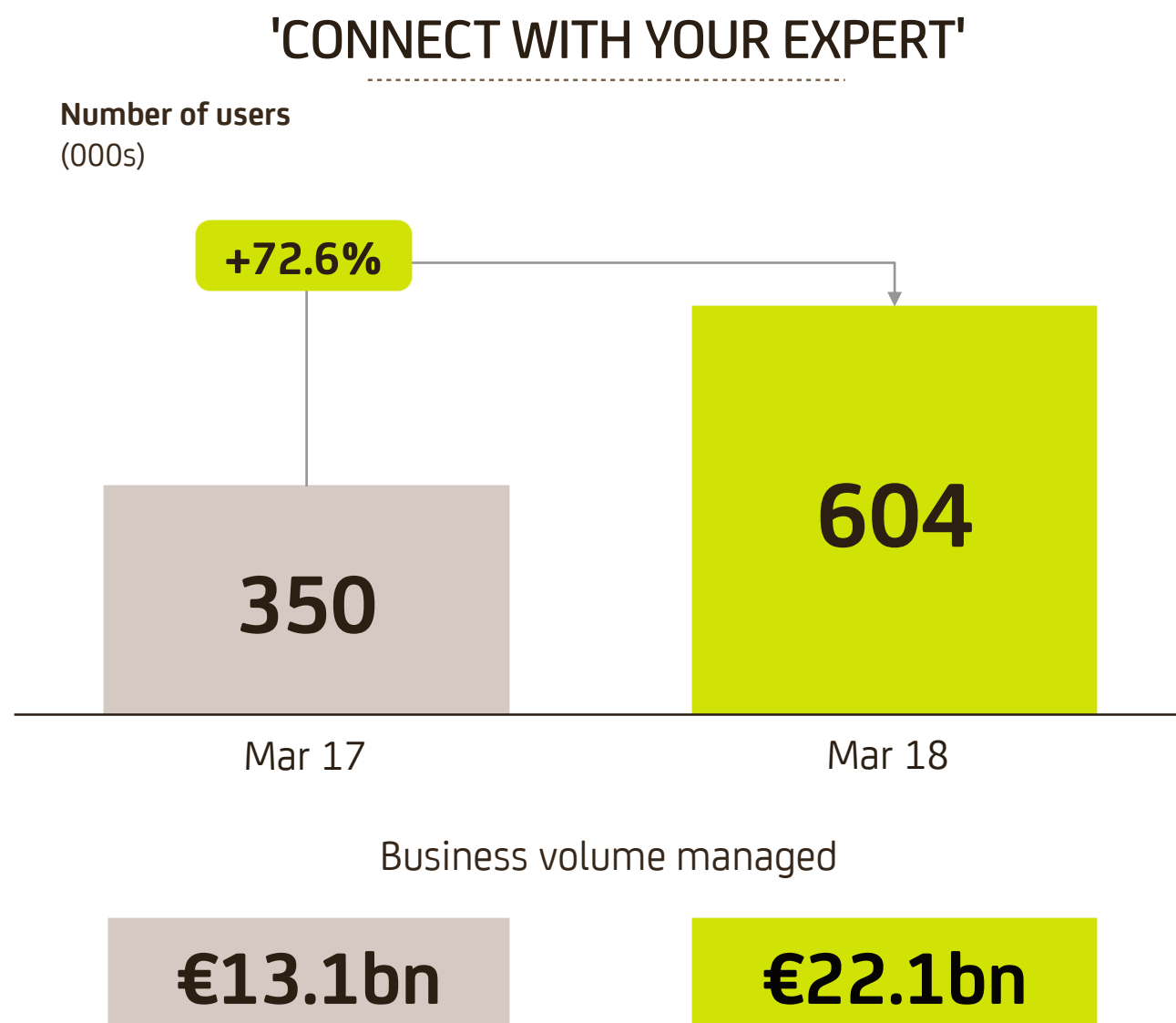


Source: STIGA mystery shopper satisfaction study

> 1Q 2018 Highlights

Commercial positioning | **Multichannel**

More than 600,000 customers in “Connect with your Expert”



DIGITAL CUSTOMERS MAR 18

% digital clients o/total clients

42.3% BANKIA / **38.9%** BANKIA + BMN

VS. 40.5% BANKIA DEC 17



DIGITAL SALES MAR 18

% digital sales o/ total sales

18.2% BANKIA / **14.6%** BANKIA + BMN

VS. 15.9% BANKIA DEC 17



ON BOARDING DIGITAL 1T 18

12.5%

VS. 6.2% BANKIA 1T 17

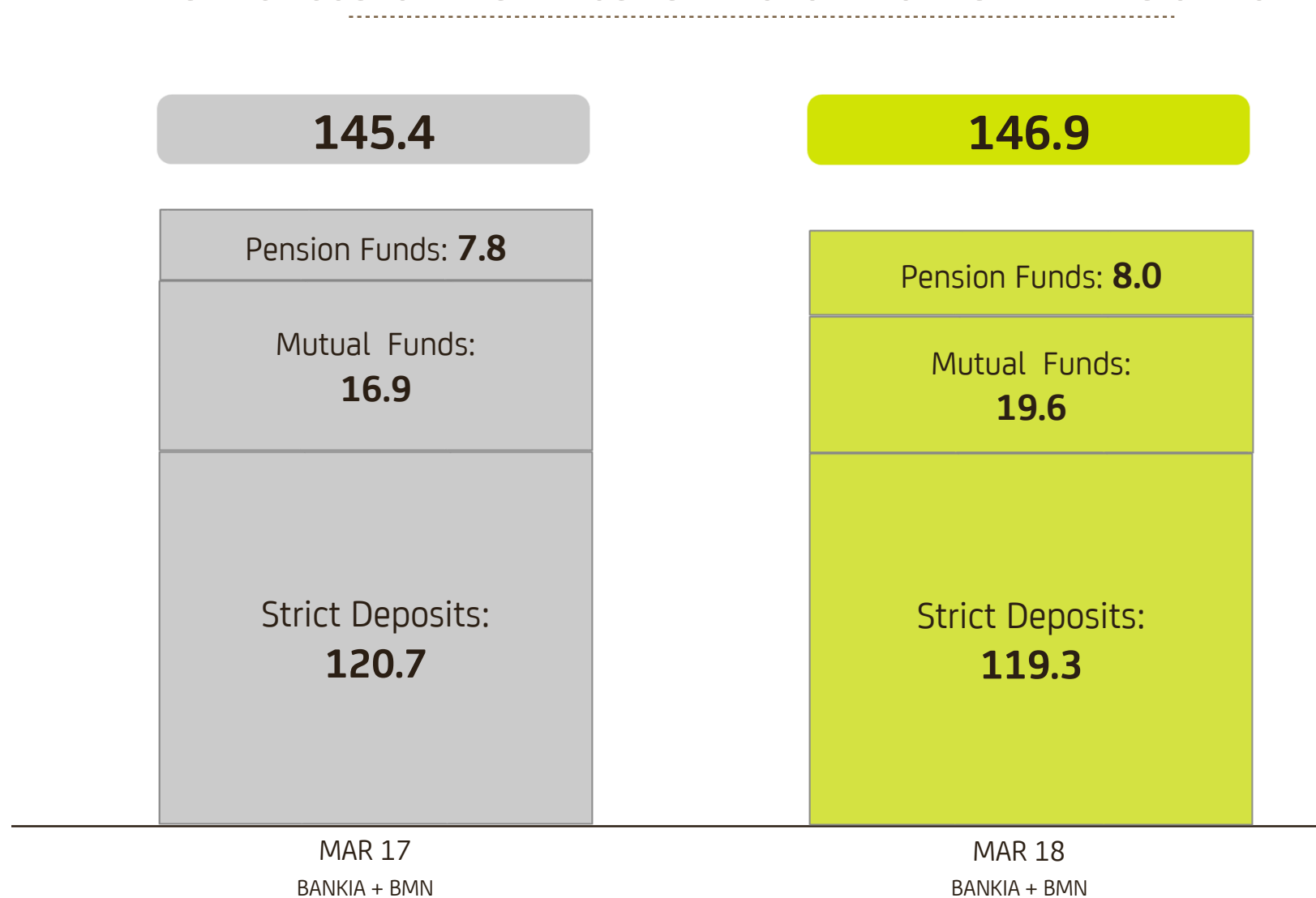
ON BOARDING DIGITAL: new clients through online channels as a percentage of total new clients (individuals)

> **1Q 2018 Highlights**

Commercial positioning | **Customers funds**

New increase in mutual funds in the quarter

€bn **STRICT CUSTOMERS DEPOSITS + MUTUAL FUNDS (1) + PENSION FUNDS**



(1) Series of Mutual Funds including international funds managed by third parties.

HOUSEHOLD DEPOSITS MARKET SHARE

Source: Bank of Spain



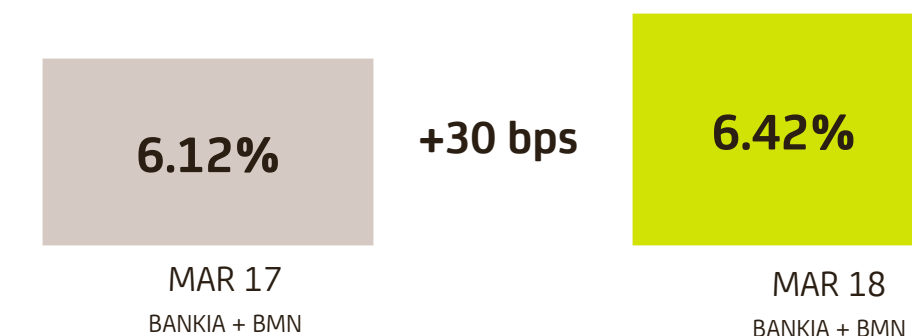
HOUSEHOLD DEPOSITS AS % OF TOTAL DEPOSITS

FEB 18



MUTUAL FUNDS MARKET SHARE

Source: Inverco



* Latest data available

> 1Q 2018 Highlights

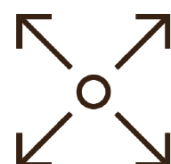
Commercial positioning | **Launch of “Expert Management”**

New service of fund portfolios management since 5 April

- **Portfolio management** service designed for the new Mifid II environment and customized according each customer profile



Conservative



Growth



Balanced



Dynamic

- Services offered starting on €10,000, accessible for the majority of our customers
- Low fees oriented to successful results
- Service allow access to more than 60 funds from different asset management companies

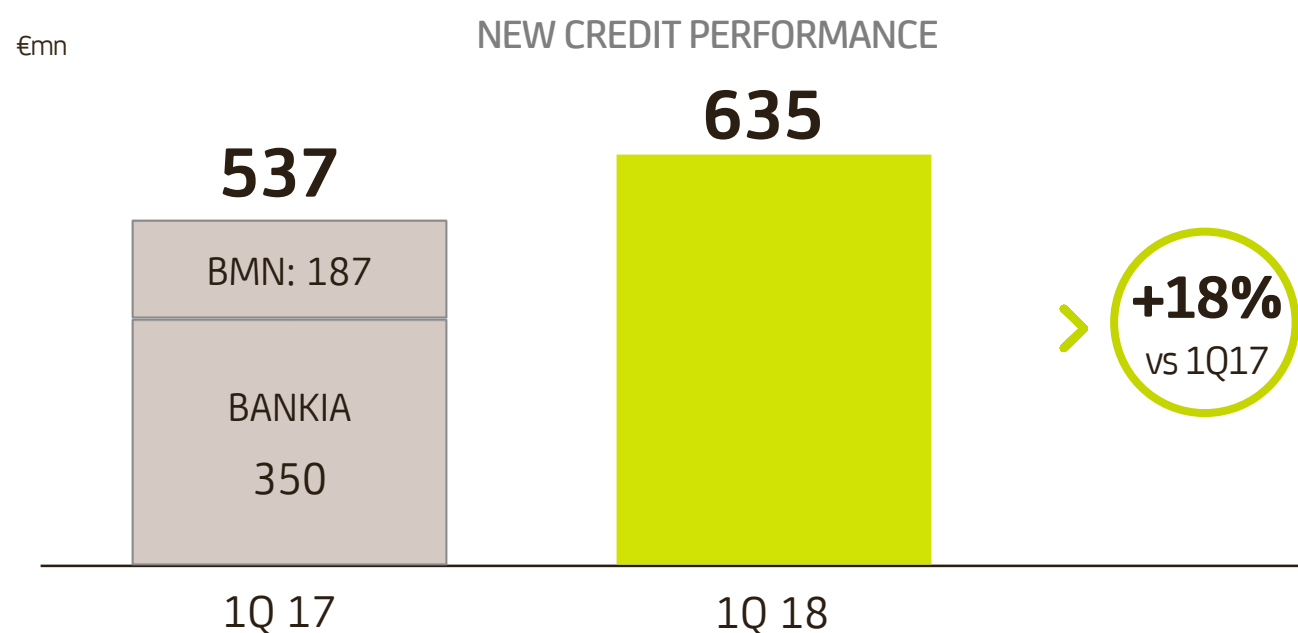
More than €500mn under management in the first few weeks since launching the service

> 1Q 2018 Highlights

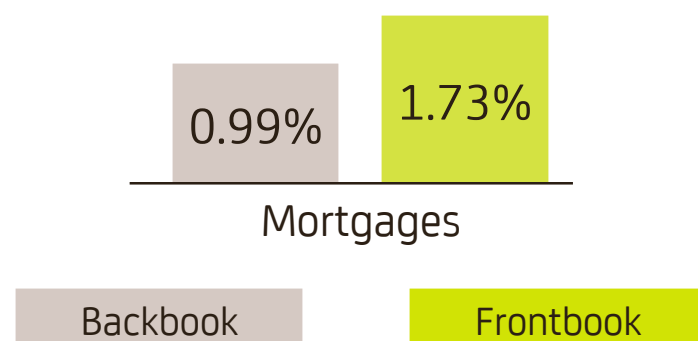
Commercial positioning | **Lending to retail customers**

Lending to the retail customers segment continues to grow at a good pace...

MORTGAGES



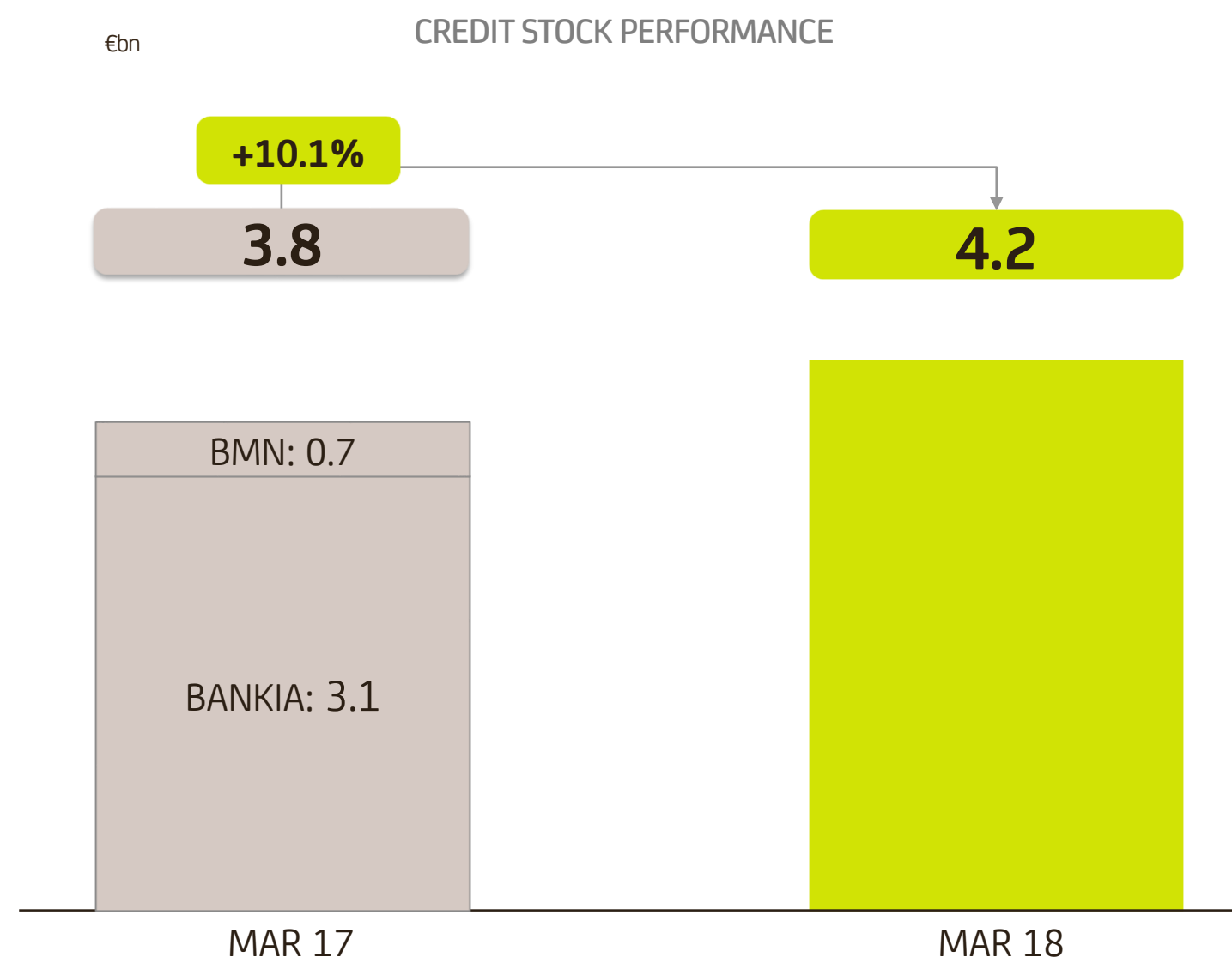
PRICE TREND



65% average loan-to-value in new mortgages

51% of new mortgages are fixed rate loans

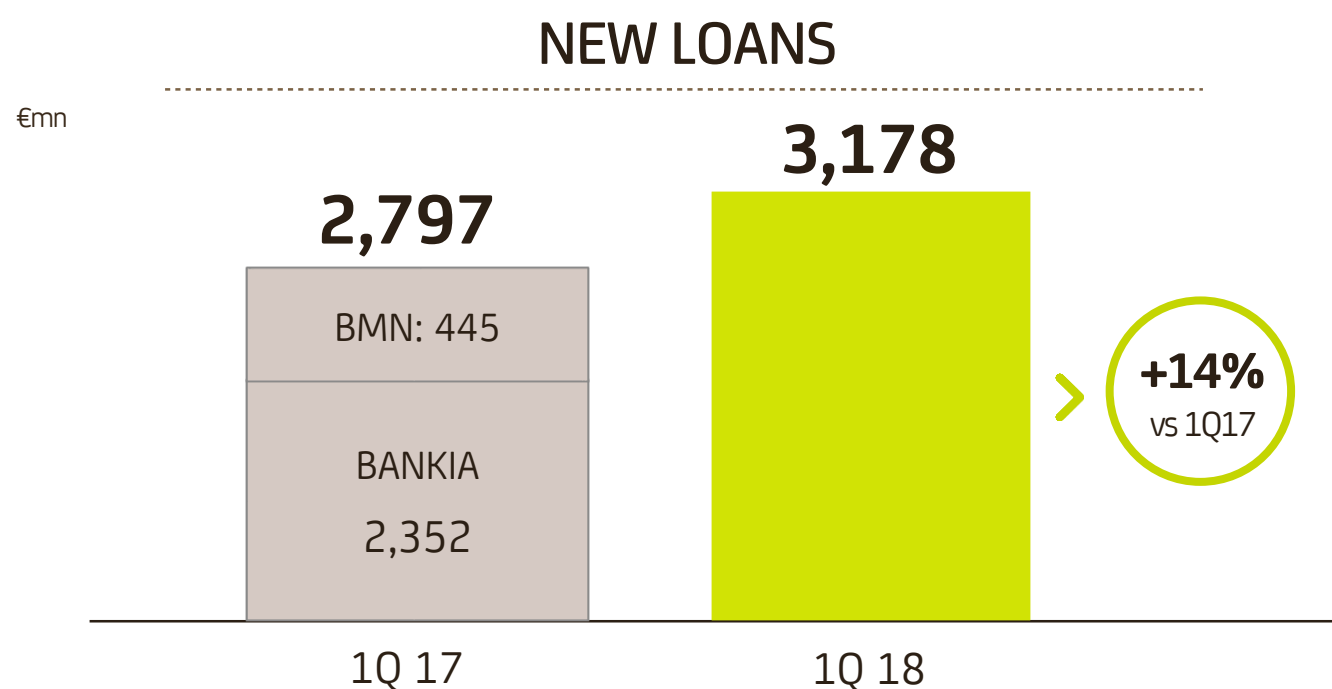
CONSUMER FINANCE



> 1Q 2018 Highlights

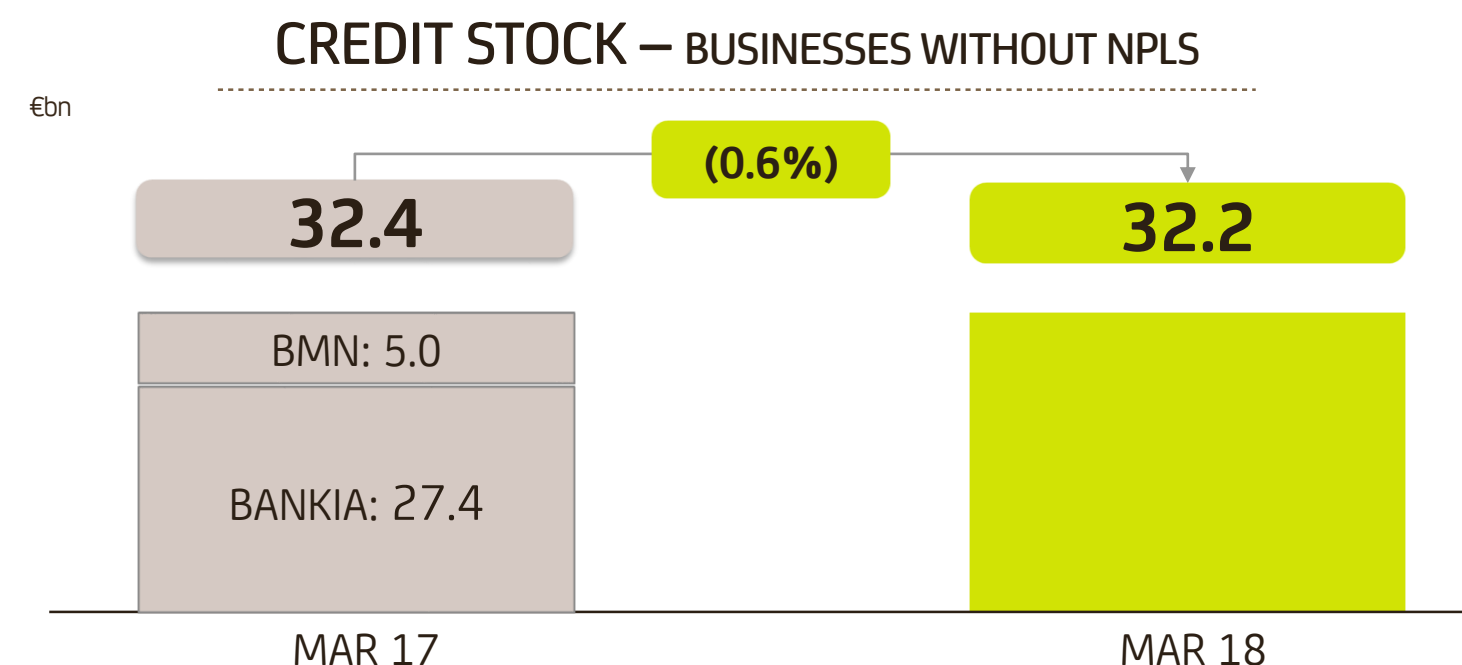
Commercial positioning | **New loans: businesses**

...like in the businesses segment, which has been reinforced with new products



Businesses excluding public sector

- ▶ €408mn in new transactions previously restricted under the Restructuring Plan
- ▶ Strong growth in Trade Finance activity +79% vs. 1Q17.

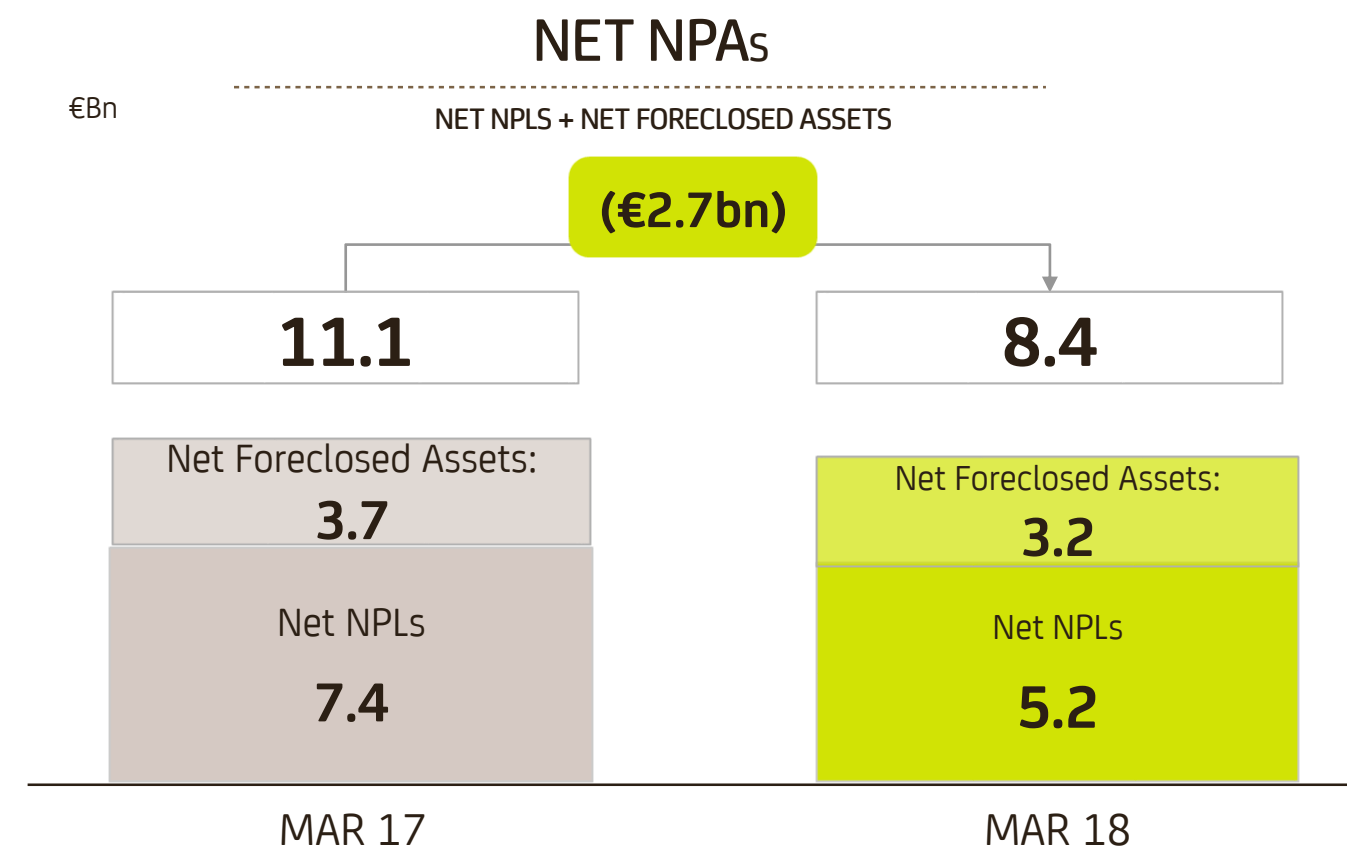
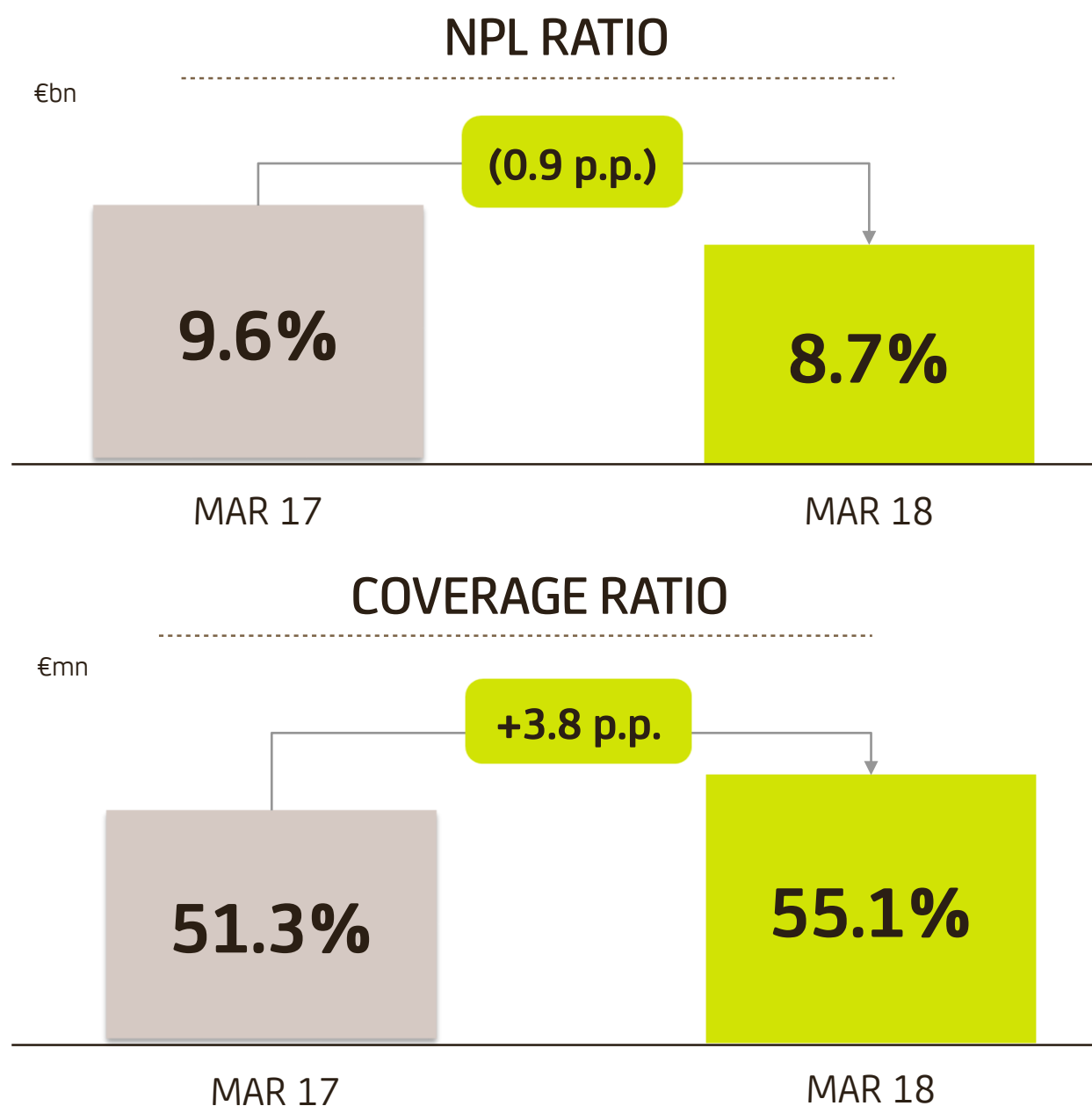


- ▶ Achievement of new lending targets (*benchmark*) set by the ECB in order to benefit from the -0.4% under TLTRO II

> **1Q 2018 Highlights**

Asset quality | **Main metrics**

Reduction in NPL ratio down to 8.7%

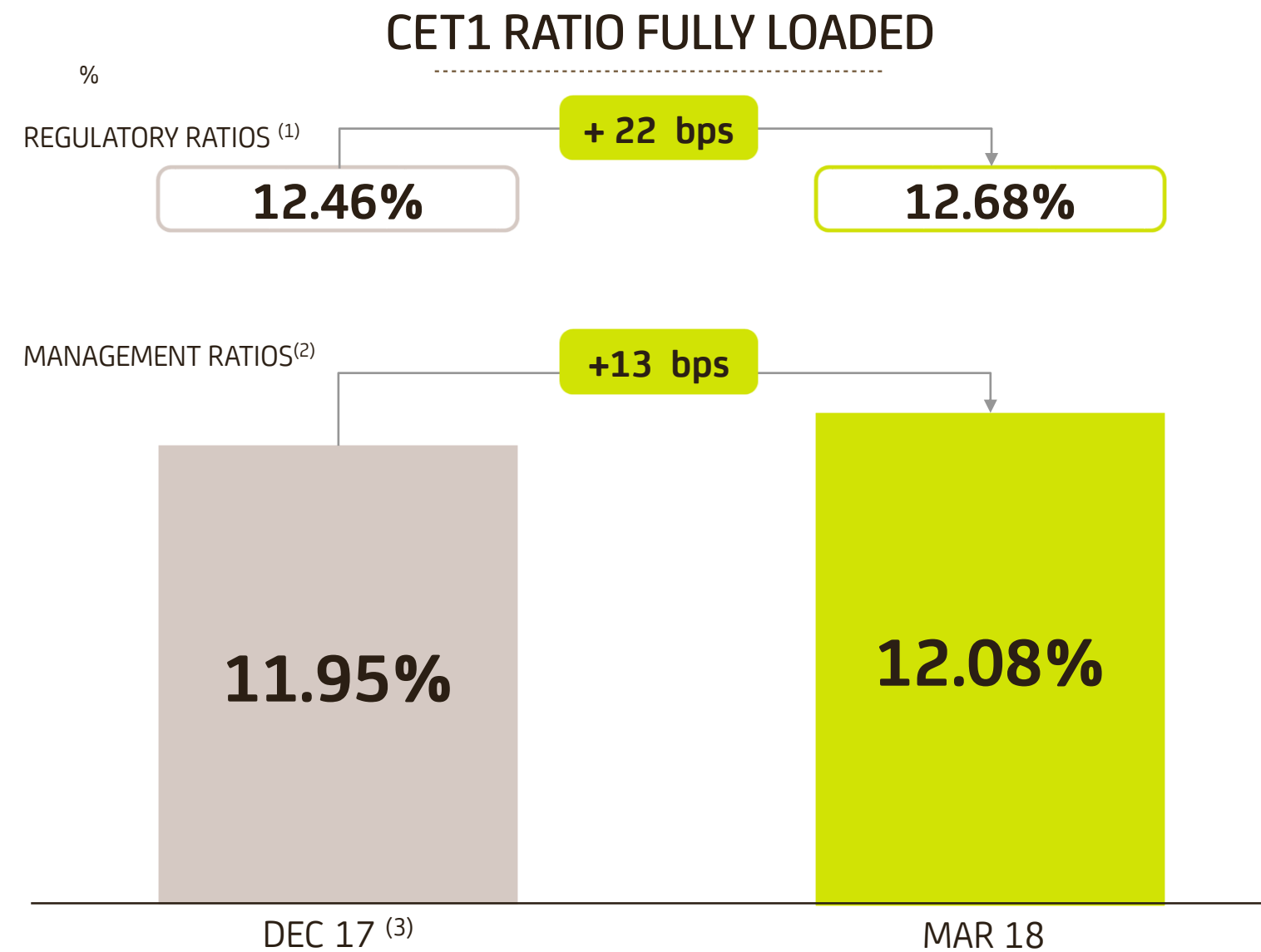
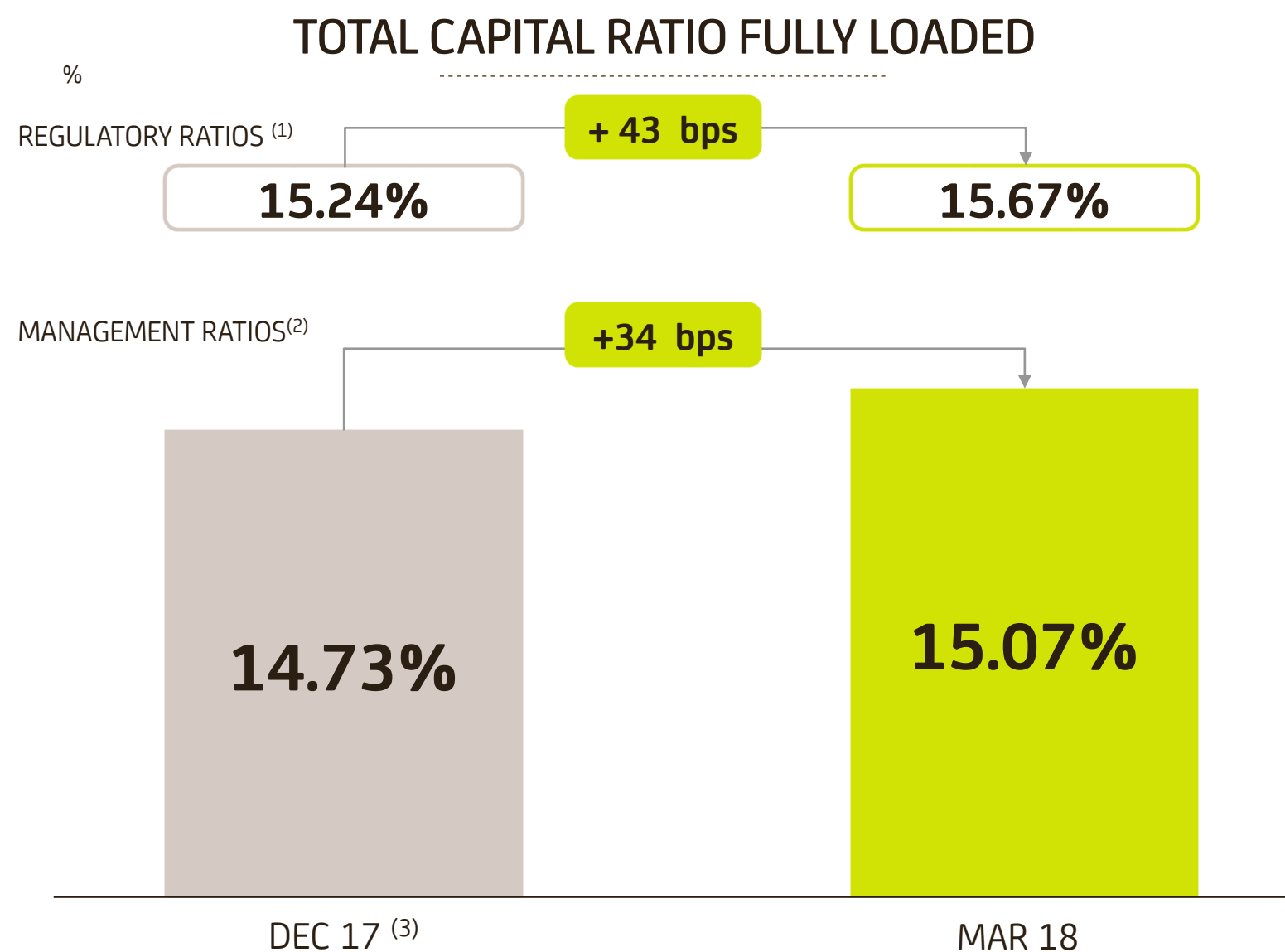


► **Reduction by 25%** in net non-productive assets in the last 12 months

> **1Q 2018 Highlights**

Capital generation | **Capital levels**

Capital generation continues in the quarter



The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend

(1) Ratios include sovereign portfolio capital gains.

(2) Ratios exclude sovereign portfolio capital gains.

(3) Ratios at December 2017 are post-merger with BMN and post impact of IFRS 9. Ratios at December 2017 without impact of IFRS 9 are 12.33% CET 1 (12.66% including sovereign capital gains) and 15.11% Total Capital (15.44% including sovereign capital gains)

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> **1Q 2018 Results**

Income statement – Bankia Group

€mn

	1Q 17 Bankia	1Q 18	Diff. %
Net interest income	504	526	4.4%
Fee and commission income	207	264	27.2%
Trading income	161	139	(14.0%)
Other revenue	14	10	(22.5%)
Gross income	886	939	6.0%
Operating expenses	(386)	(485)	25.6%
Pre-provision profit	500	453	(9.3%)
Provisions for loans	(108)	(108)	-
Provisions for foreclosed asset	(39)	(27)	(30.8%)
Taxes, minority interests and other items	(49)	(89)	81.6%
Profit attributable to the Group	304	229	(24.5%)

> 1Q 2018 Results

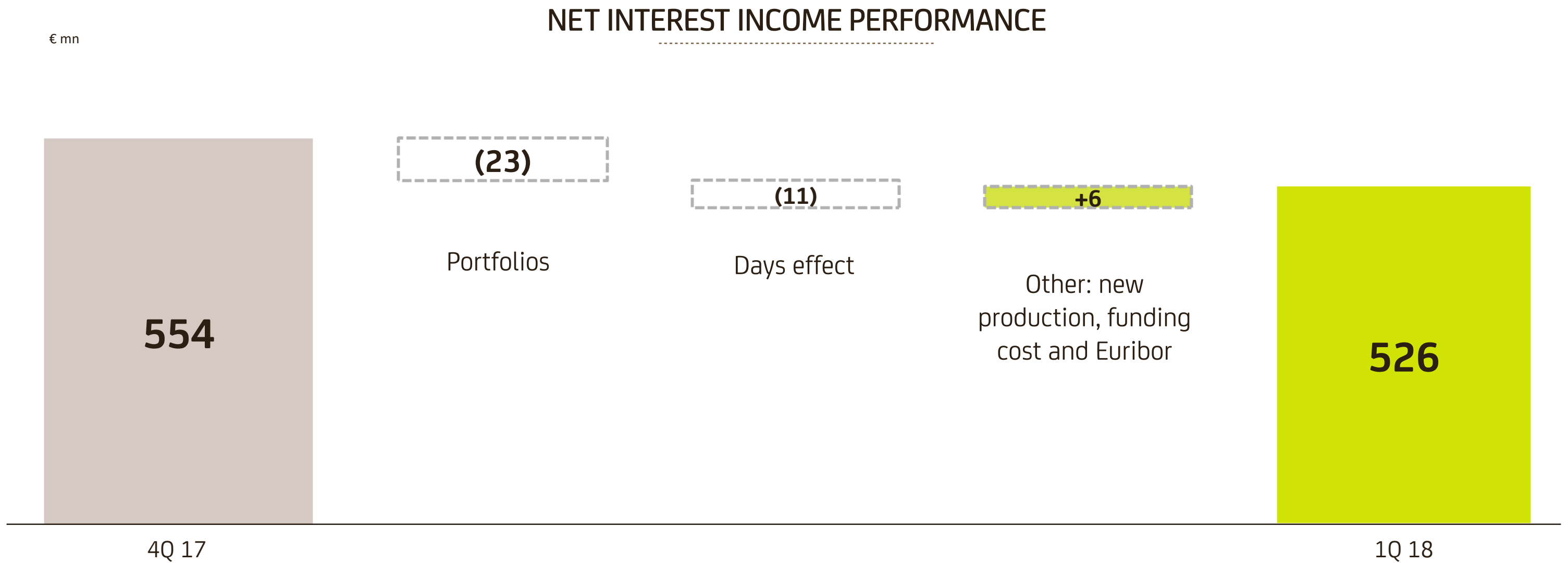
Income statement – Bankia Group and BMN: Pre-provision profit comparison

€mn		1Q 17 Bankia + BMN	1Q 18	Diff. %
	Net interest income	584	526	(9.8%)
	Fee and commission income	258	264	2.4%
	Trading income	177	139	(21.7%)
	Other revenue	30	10	(65.9%)
	Gross income	1,048	939	(10.4%)
	Operating expenses	(482)	(485)	0.8%
	Pre-provision profit	566	453	(19.9%)

> **1Q 2018 Results**

1 Net interest income

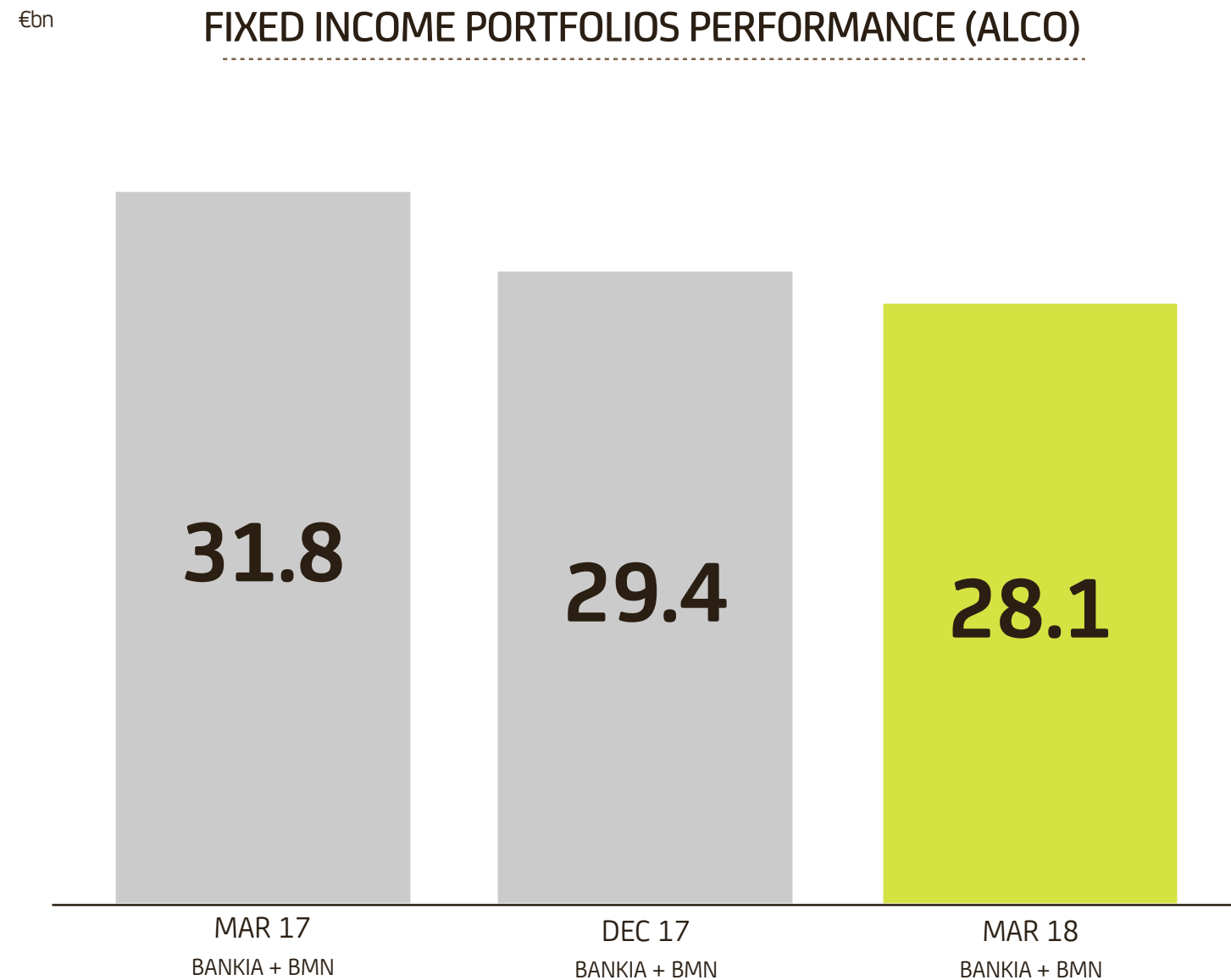
Narrowing of net interest income due to portfolio turnover



> **1Q 2018 Results**

1 Net interest income

€28.1bn in ALCO portfolio as of March 2018



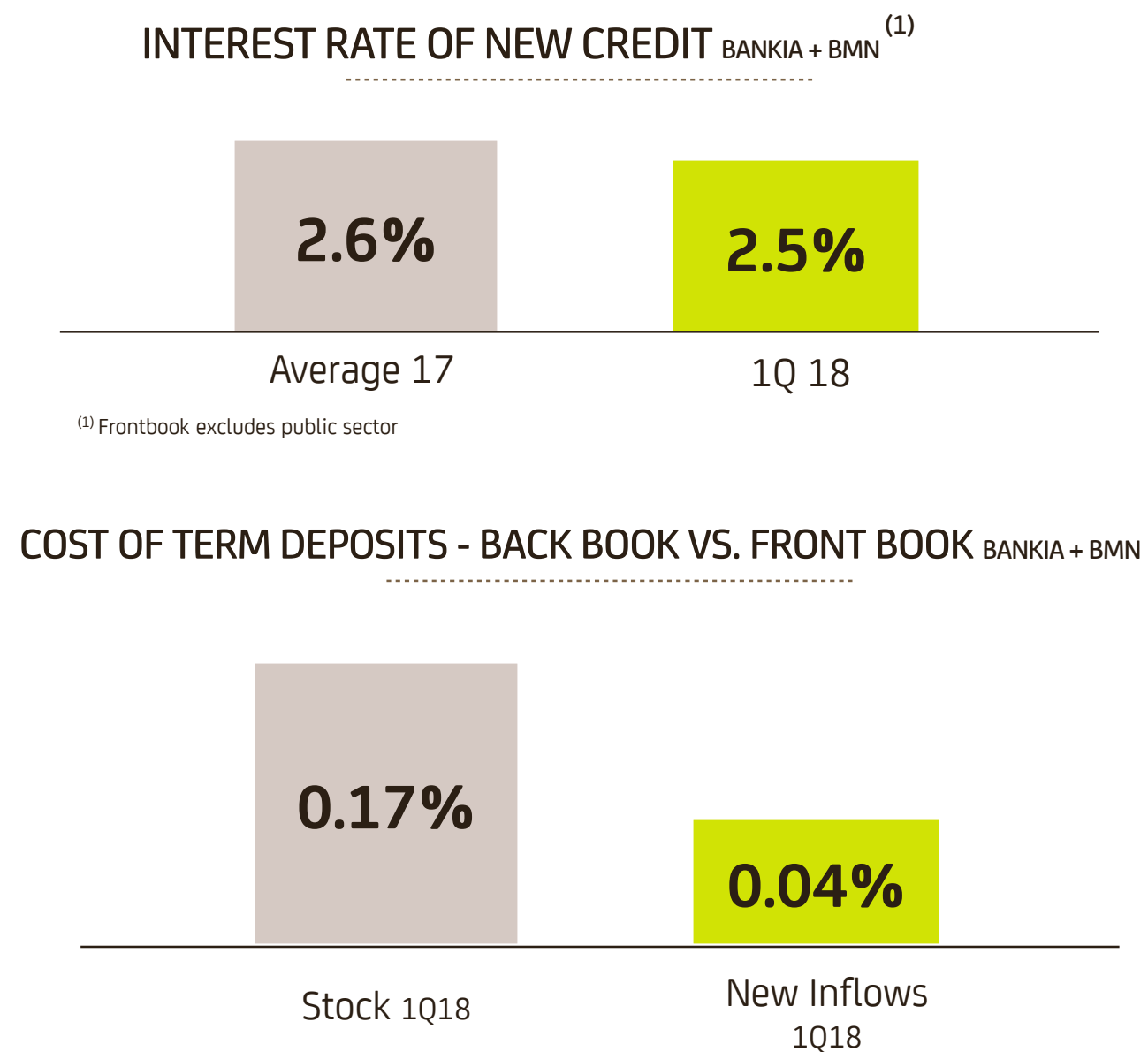
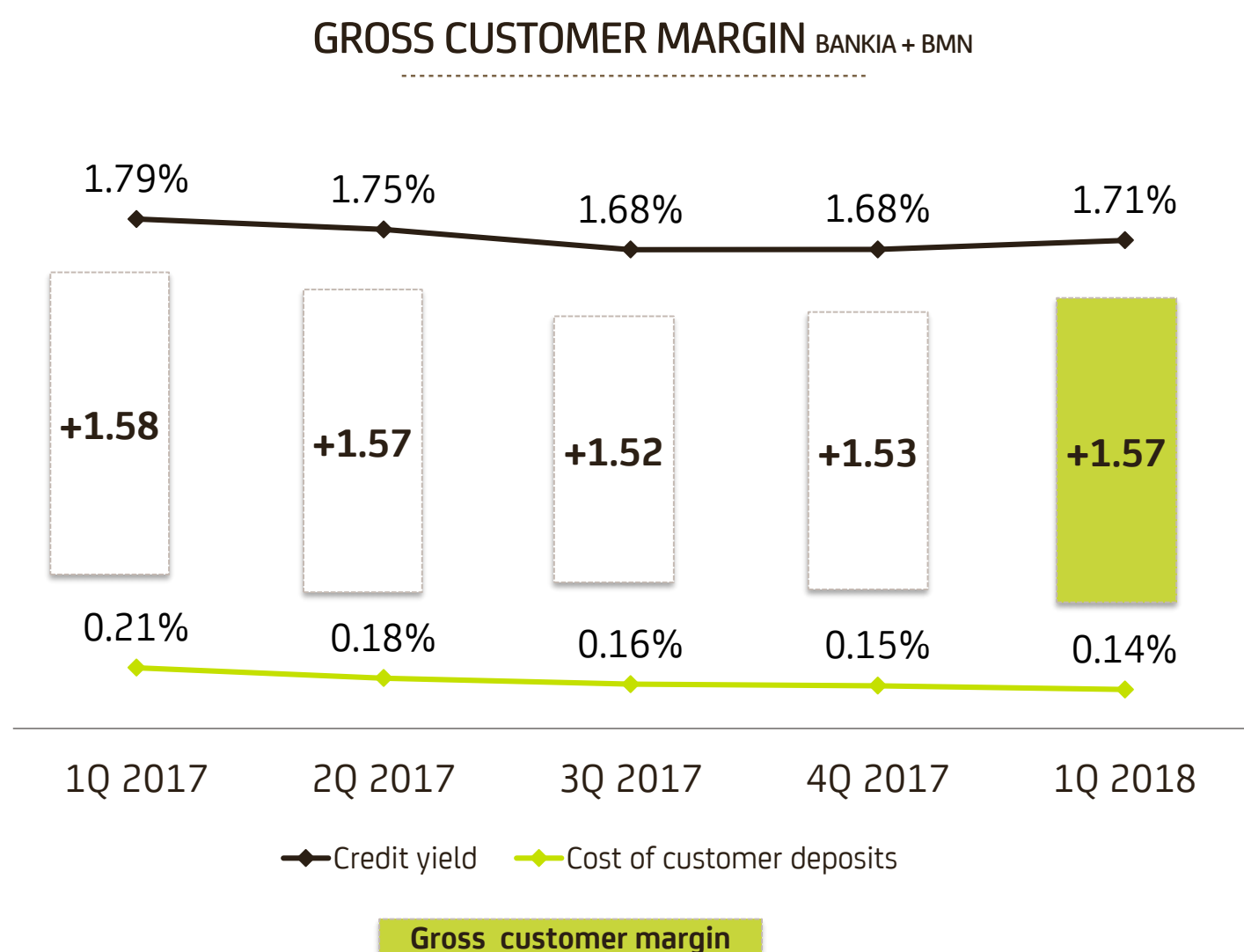
	Mar 17	Dec 17	Mar 18
ALCO Fixed Income Portfolio (€bn)	31.8	29.4	28.1
Non hedged fair value portfolio	11.5	12.3	11.4
Hedged fair value portfolio	6.7	6.8	4.4
At amortised cost	13.7	10.3	12.3
Avg. duration non hedge FV (years)	3.5	3.8	2.4

The average duration of the non hedged fair value portfolios stands at **2,4 years**

> 1Q 2018 Results

1 Net interest income

Gross customer margin widens to 157 bps

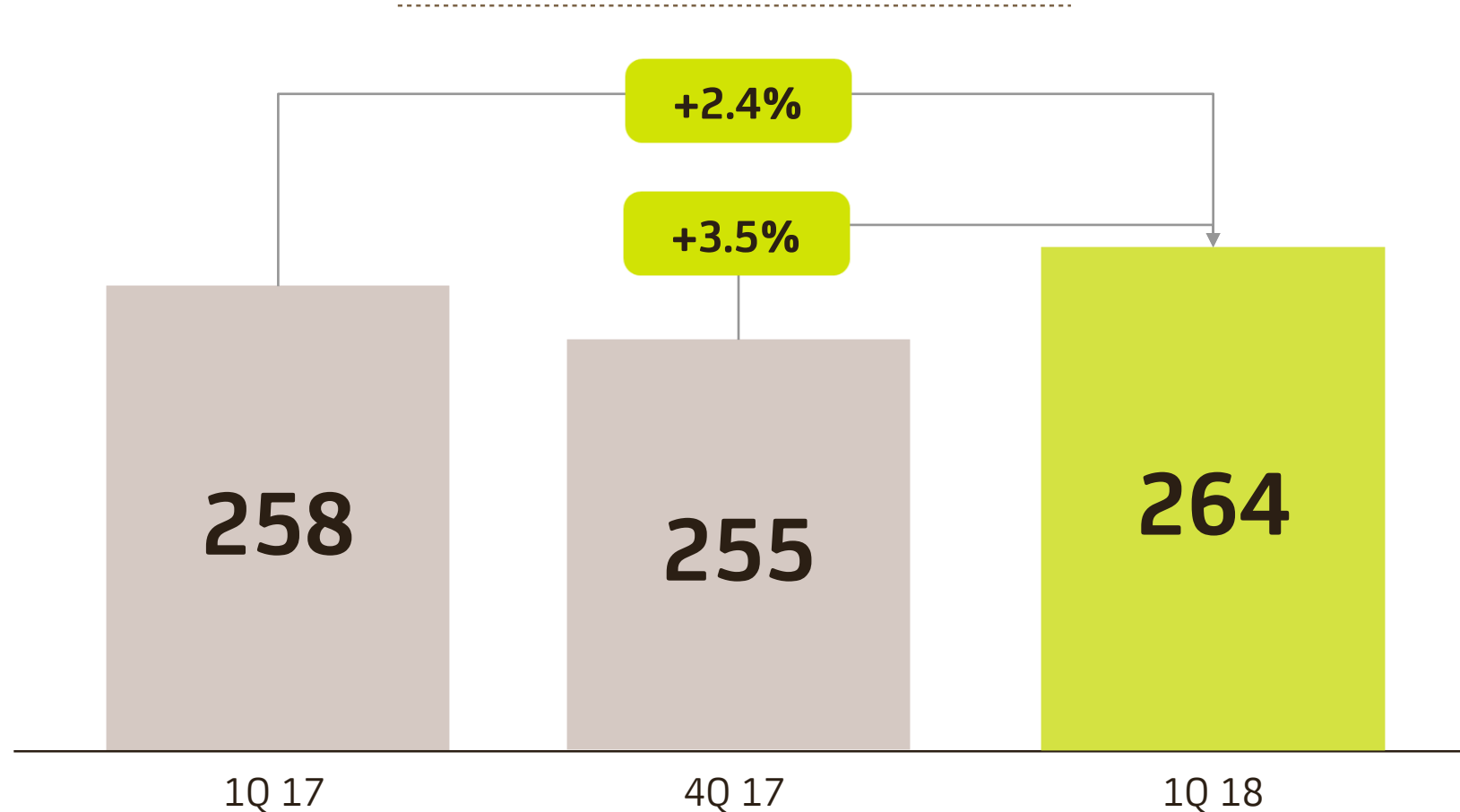


> 1Q 2018 Results

2 Fee and commission income

Good performance of fee and commission income in high-value products

FEEES AND COMMISSIONS PERFORMANCE BANKIA+BMN



PAYMENT SERVICES

Credit cards + Point of Sale terminals

+14.1% 1Q18 vs 1Q17



ASSETS UNDER MANAGEMENT

Mutual funds, pensions and insurance

+5.1% 1Q18 vs 1Q17

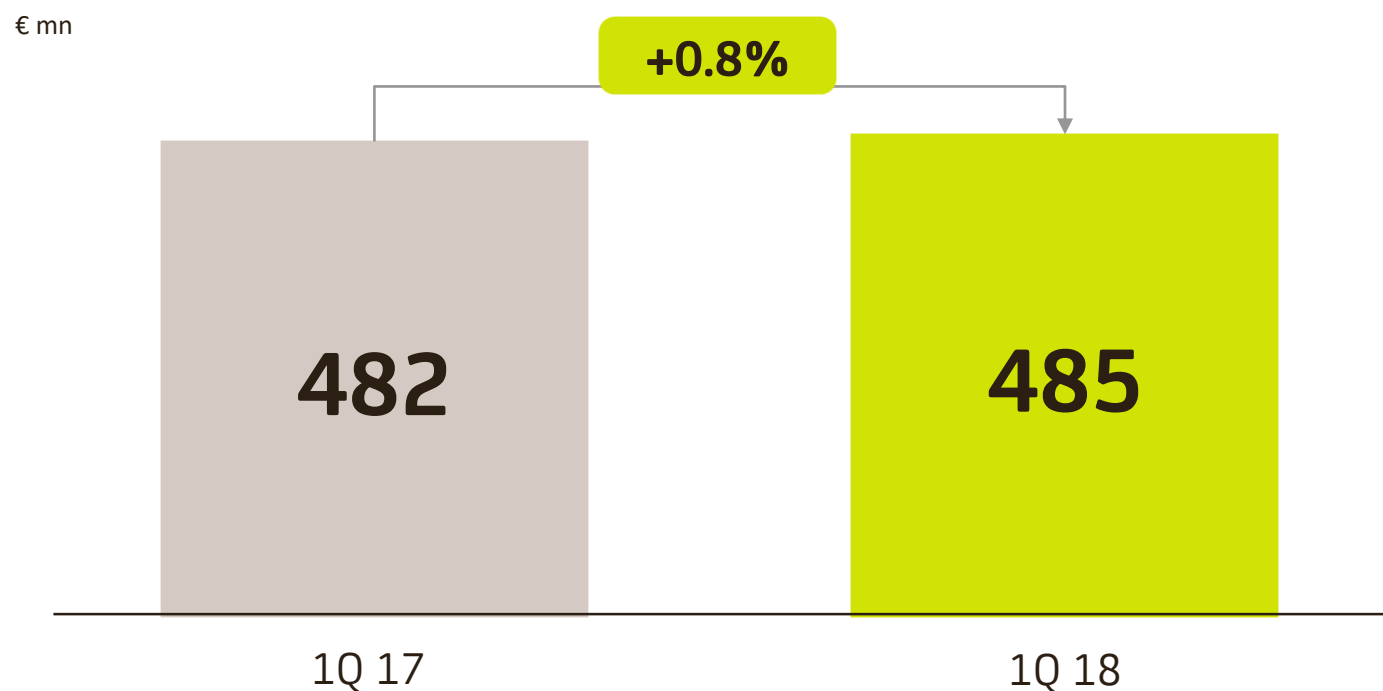
+2.4% growth in fee and commission income compared to same period of previous year

> **1Q 2018 Results**

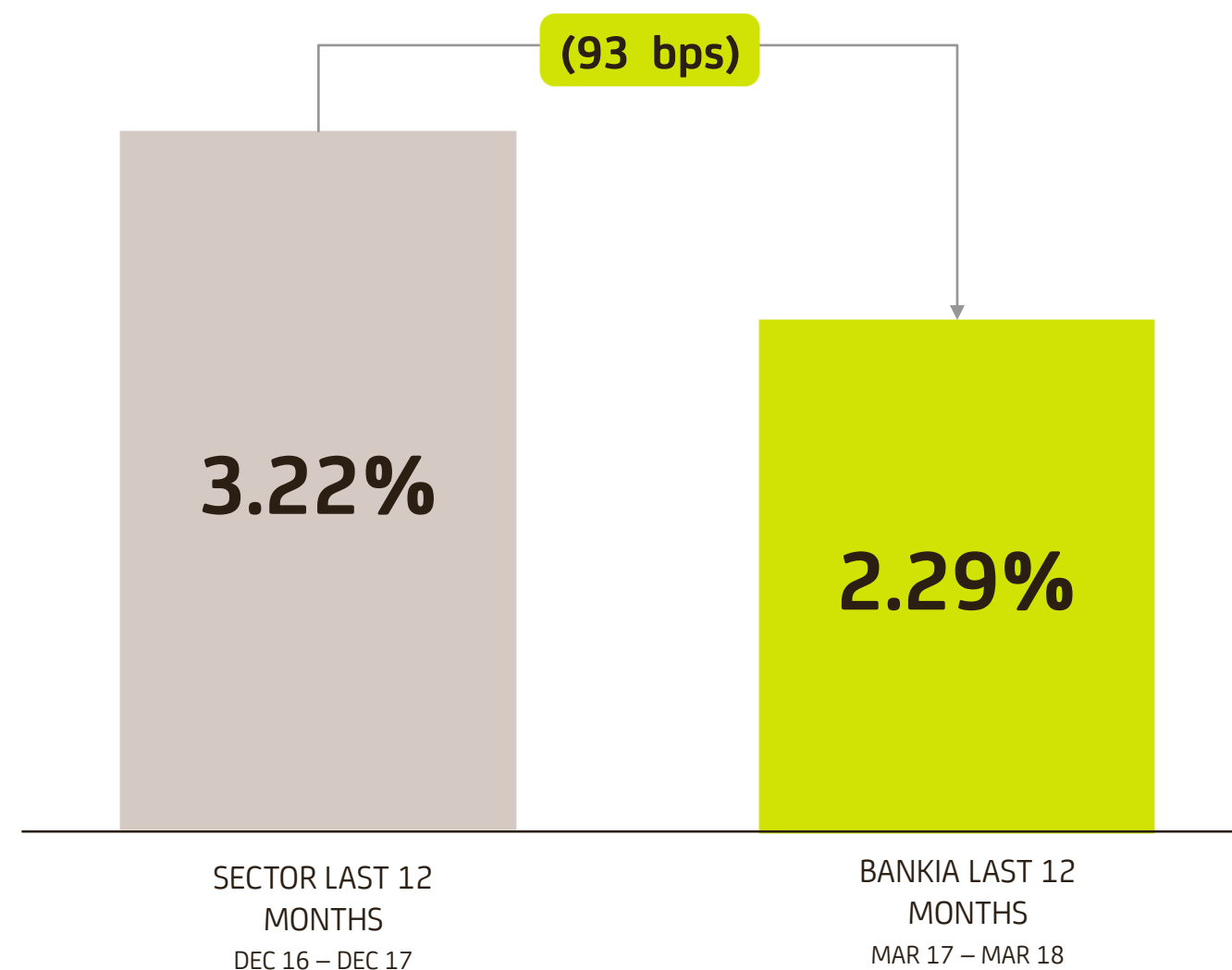
3 Operating expenses

Stable expenses for the quarter

OPERATING EXPENSES PERFORMANCE



OPERATING EXPENSES AS % OF RWAs



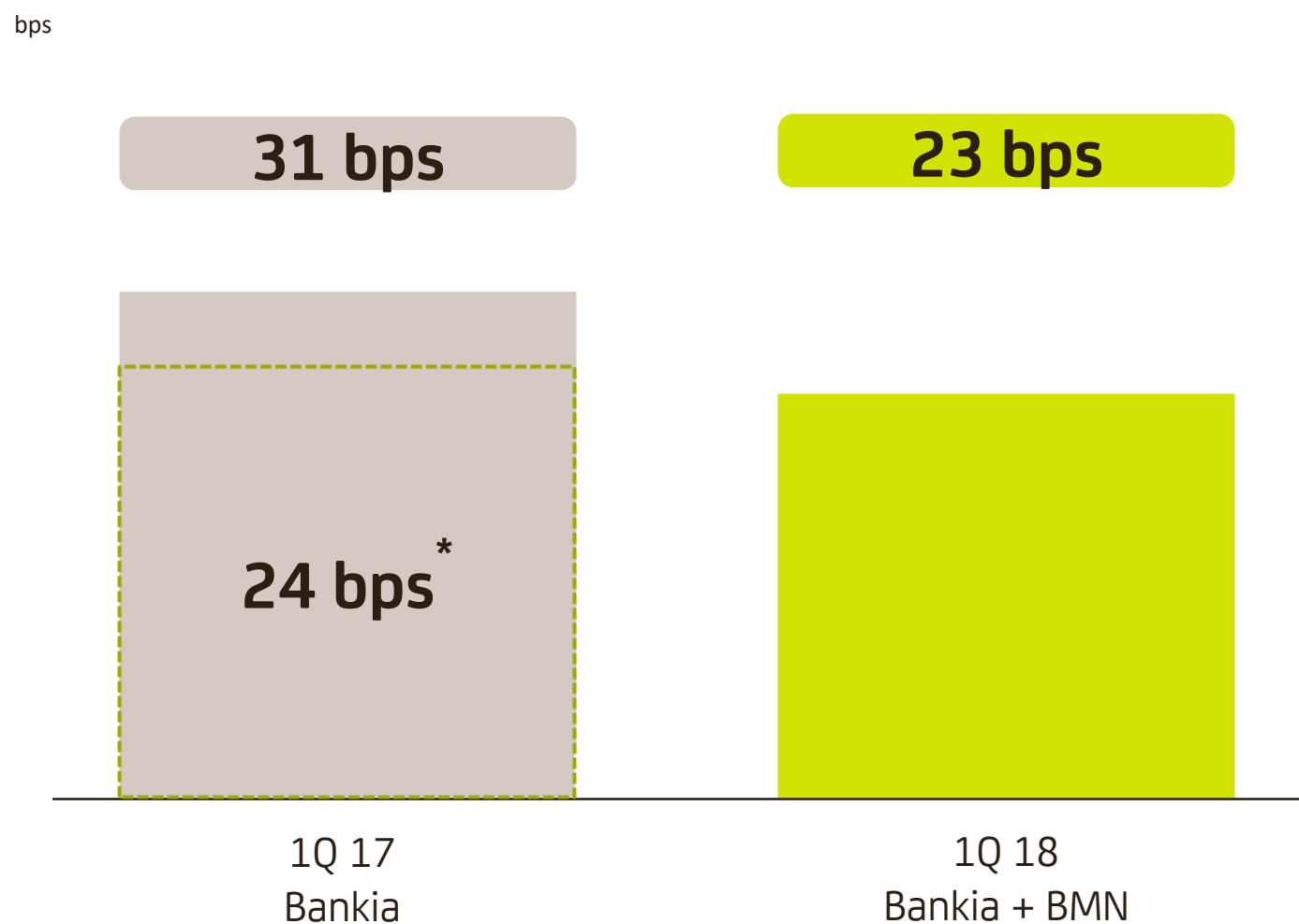
► Cost synergies from the integration are expected as from 2Q 2018.

> **1Q 2018 Results**

Cost of risk

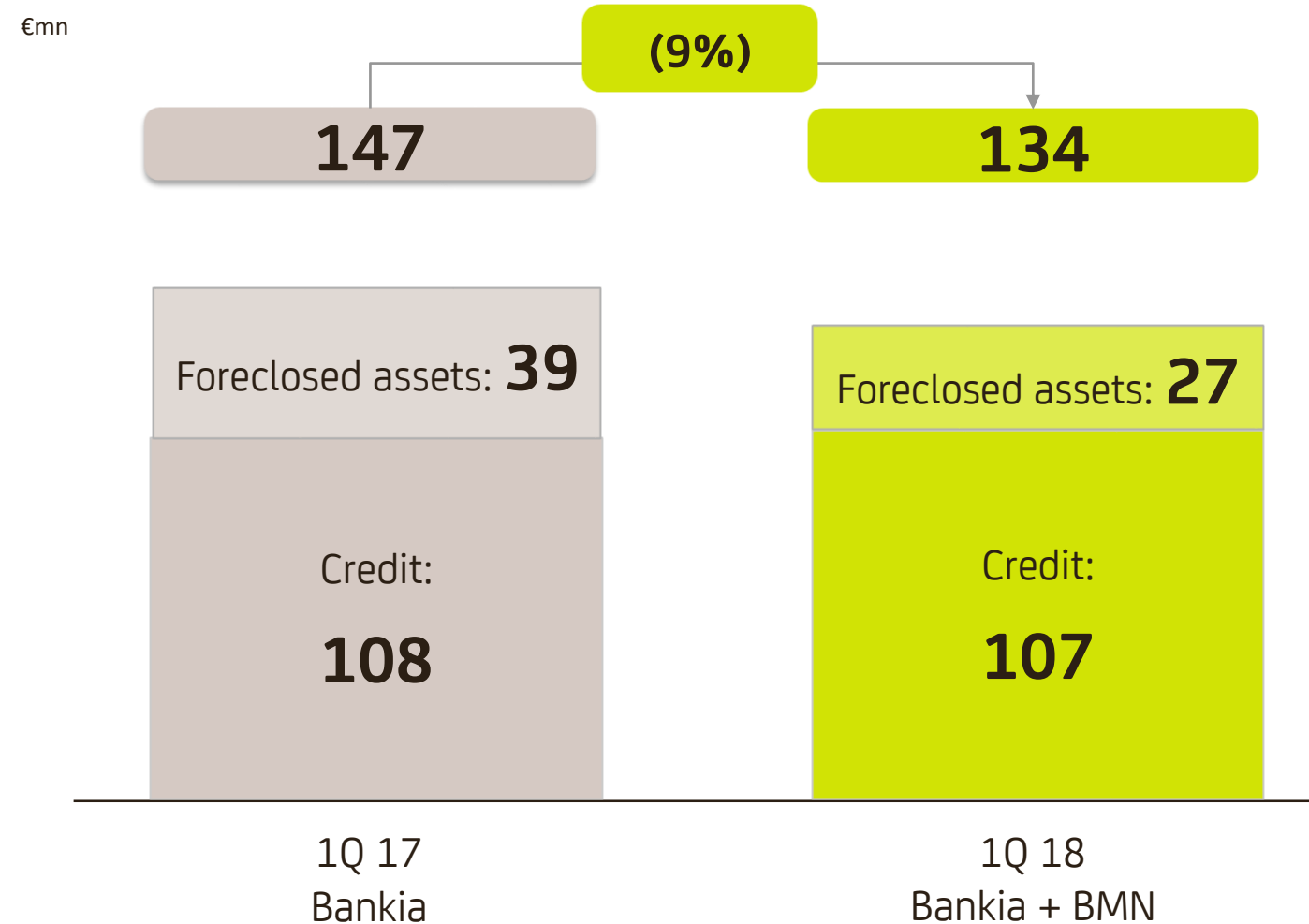
Cost of risk and provisions in line with Strategic Plan

COST OF RISK



* Excludes provisions for single name transactions

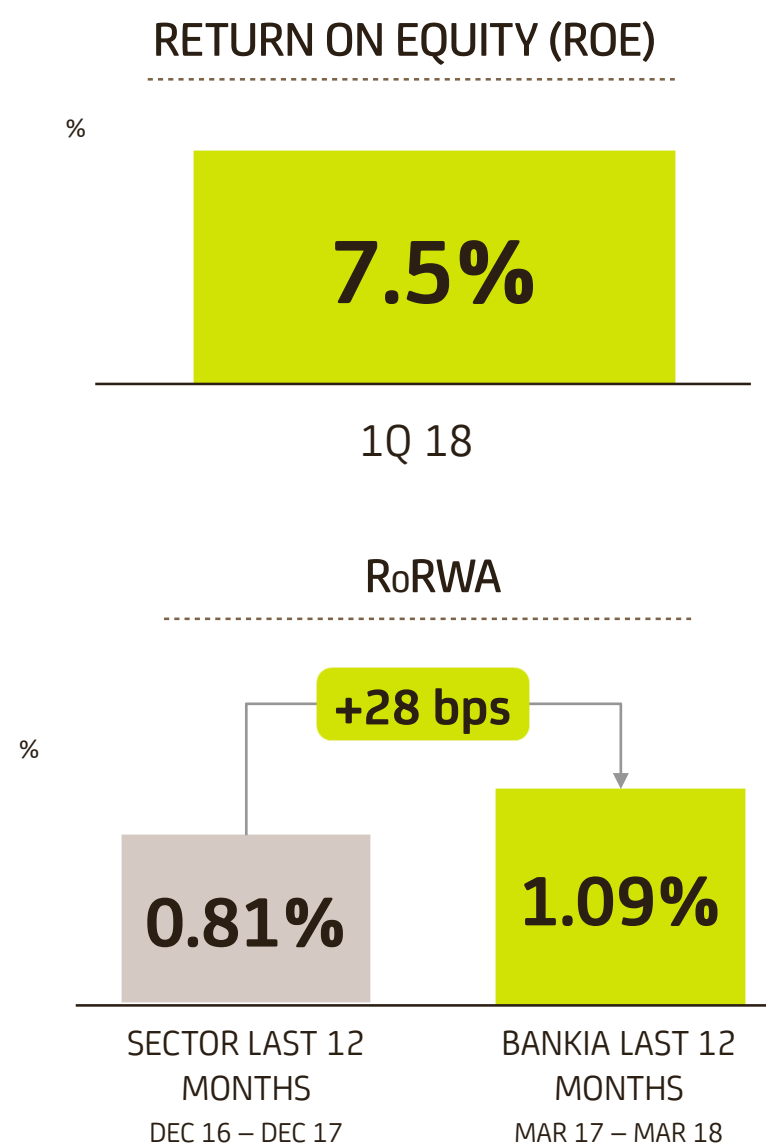
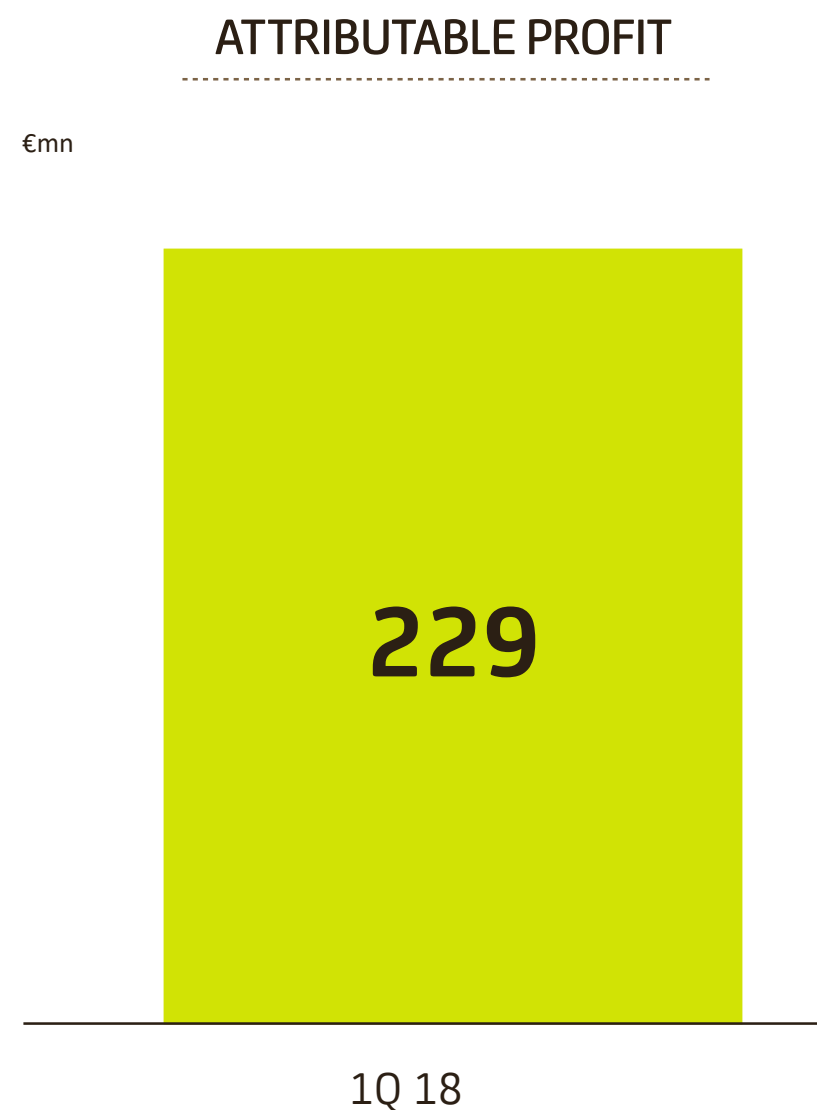
PROVISIONS FOR LOANS AND FORECLOSED ASSETS



> **1Q 2018 Results**

Attributable profit

ROE of 7.5% for first quarter



Dividend distribution against 2017 earnings of **€340 Mn (11.024 euro cents per share)**

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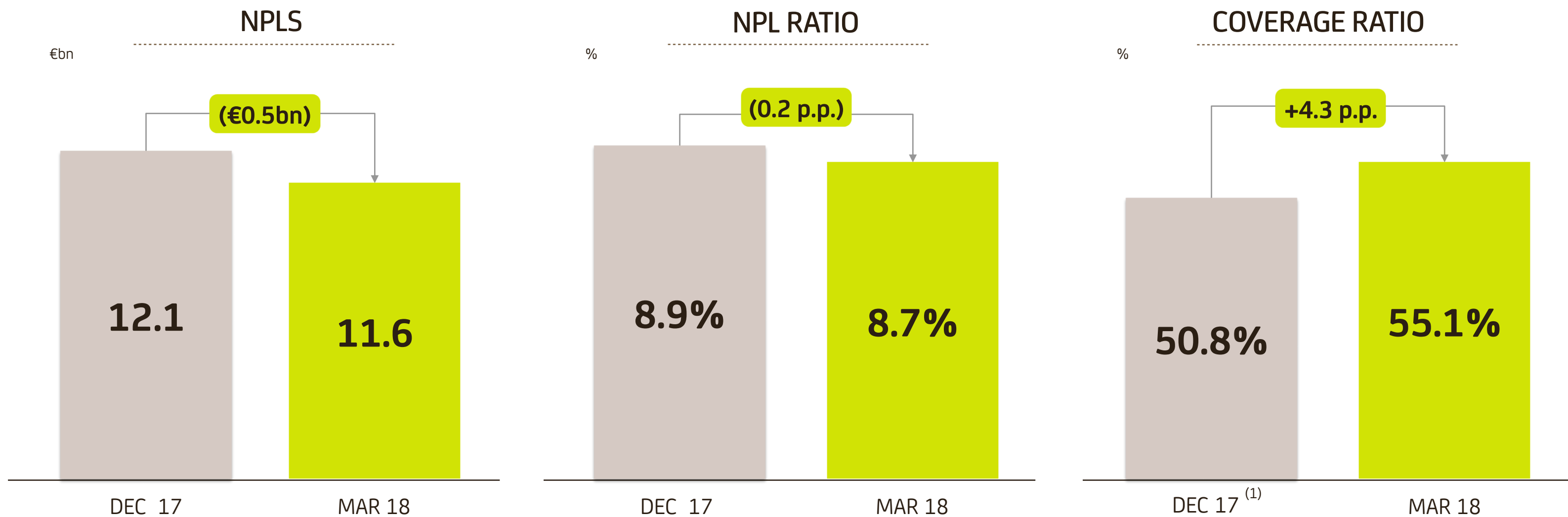
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CONCLUSIONS

> **Asset quality and risk management**

Credit quality

Key asset quality indicators performed well in the quarter



(1) NPL coverage ratio without including provisions for IFRS 9. If IFRS 9 provisions are included, the coverage ratio would be 56.5%

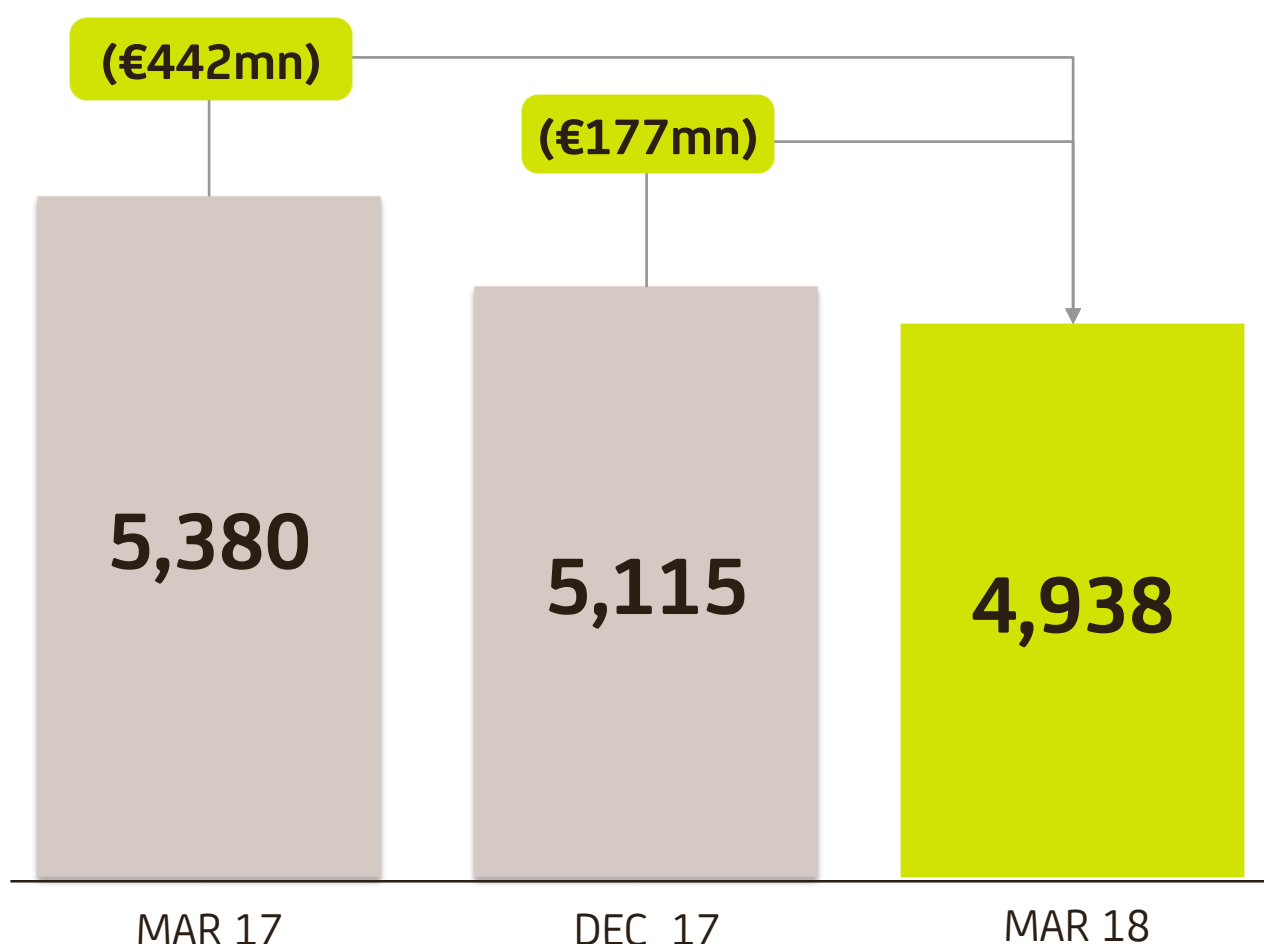
> **Asset quality and risk management**

Credit quality

Foreclosed assets sales are up 73% over 1Q17

FORECLOSED ASSETS PERFORMANCE

Gross amounts. €mn



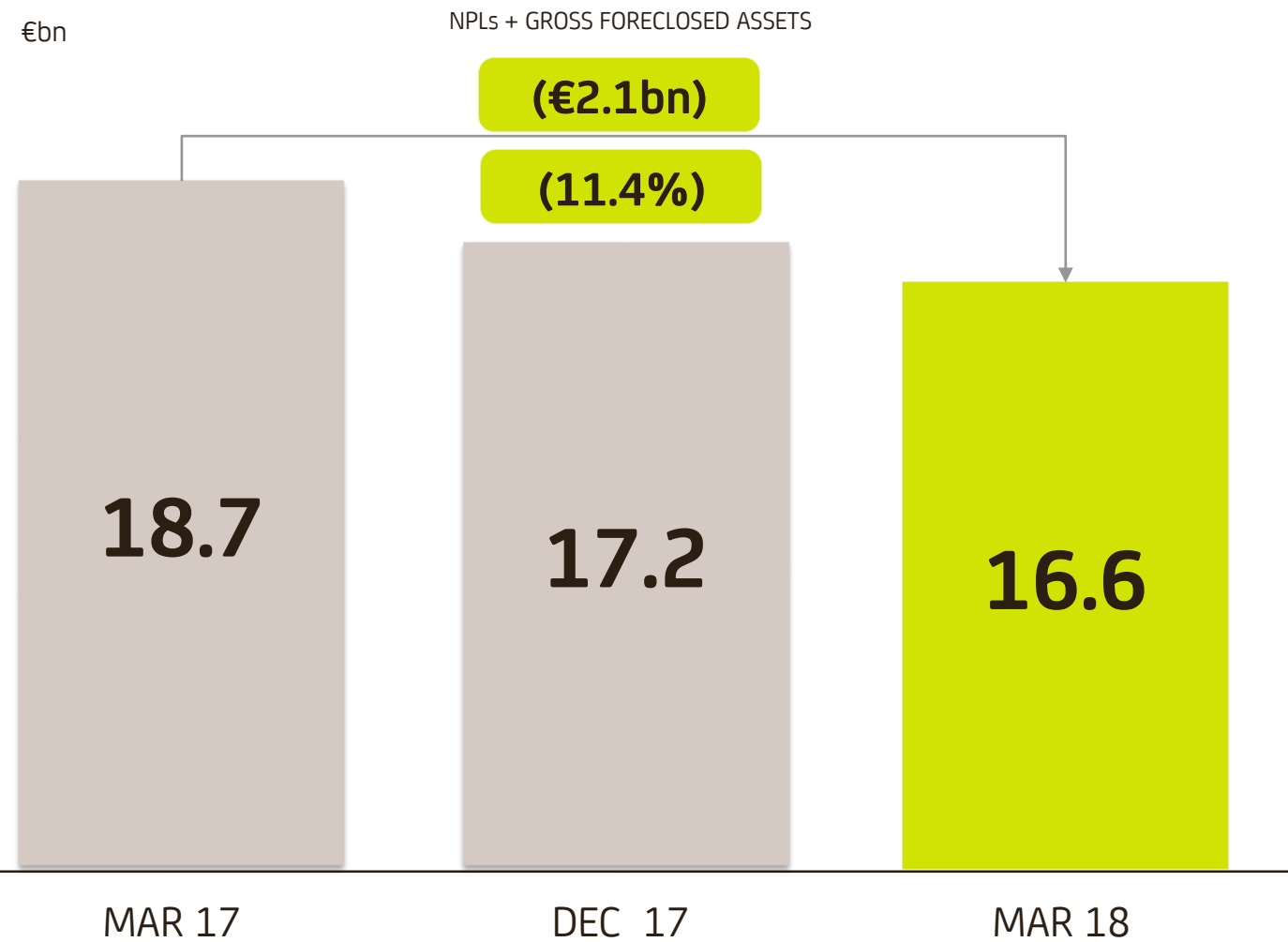
- **3,311** units sold in 1Q18, (+73% vs. 1Q17)
- **€168mn** generated from sales
- **Units sold** represent **6%** of the total stock at the end of 4Q17

> **Asset quality and risk management**

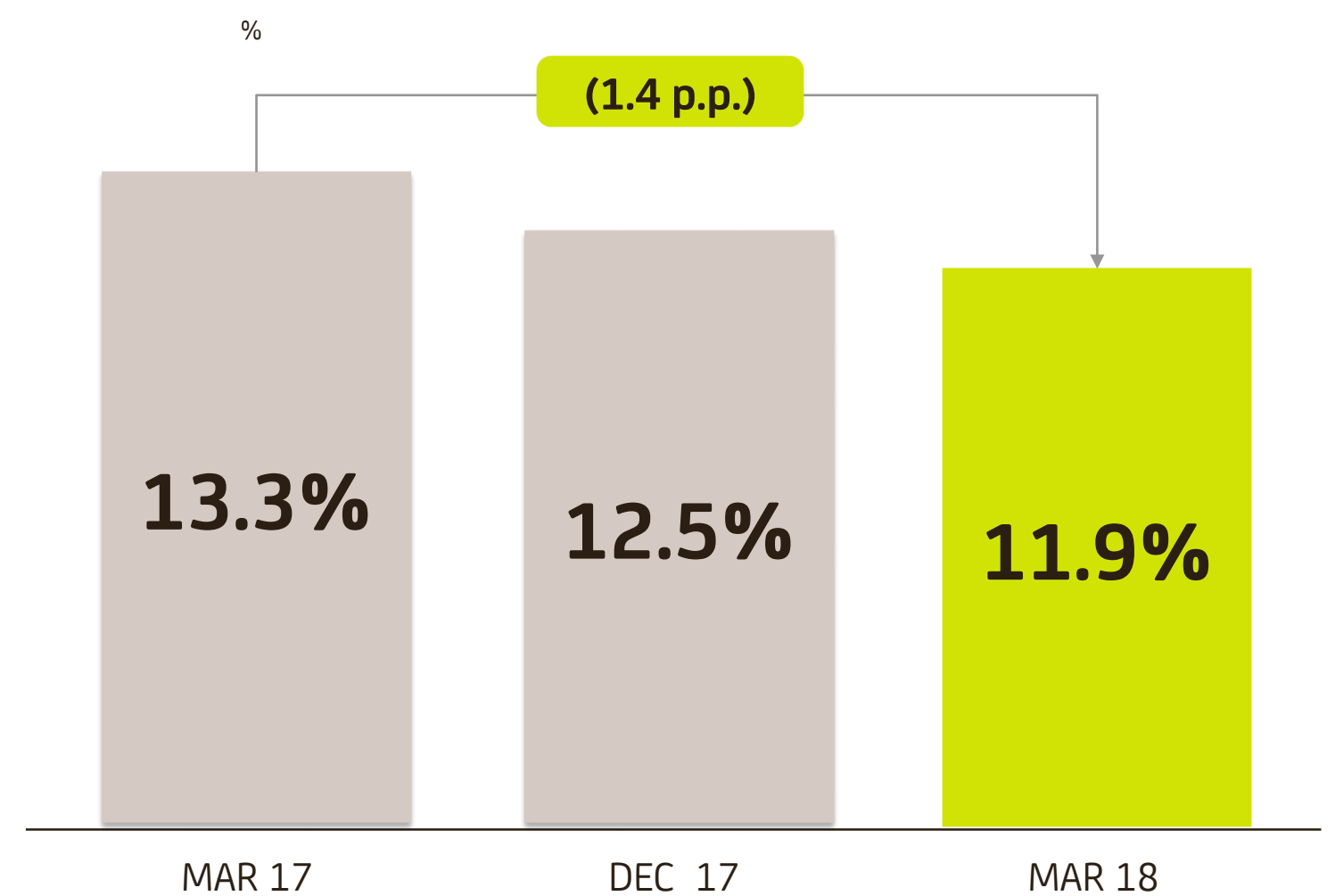
Credit quality

Reduction of NPAs in line with targets marked in the Strategic Plan

NON-PERFORMING ASSETS PERFORMANCE



NPAs RATIO



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CONCLUSIONS

> **Liquidity** and solvency

Liquidity and ratings

Liquidity metrics, maturities and ratings performance

LTD Ratio

92.7%

Mar 2018

Liquid assets

€33.6bn

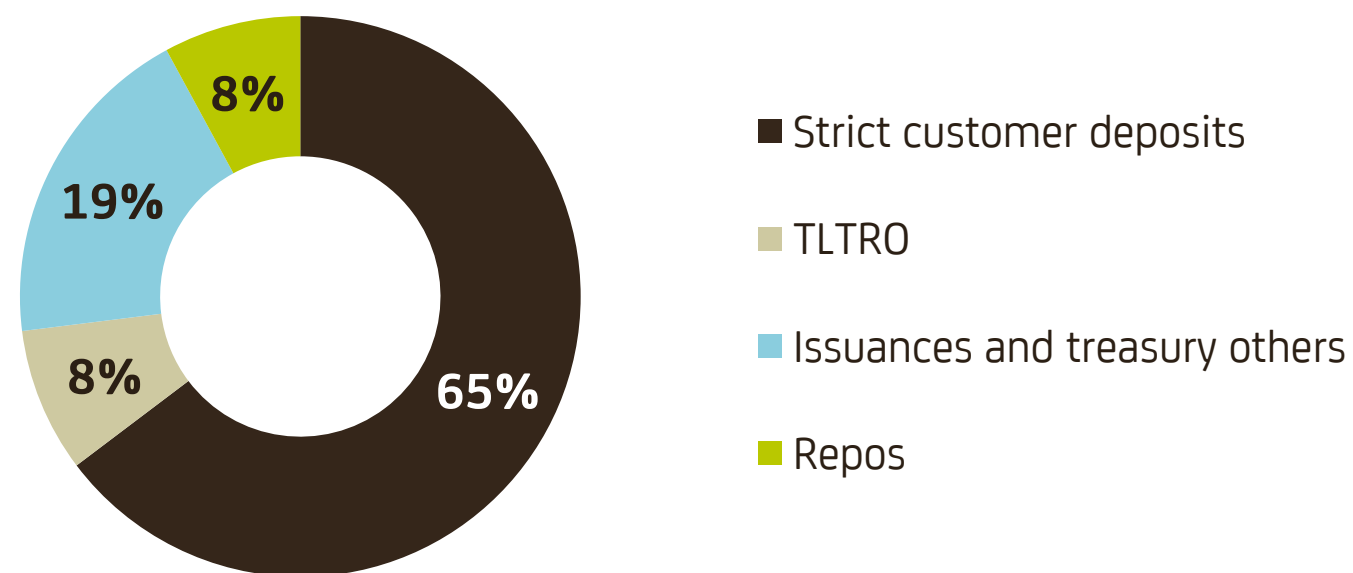
Mar 2018

LCR

170%

Mar 2018

FUNDING STRUCTURE



S&P Global Ratings

Dec 17 **BBB-**
Positive outlook



Mar 18 **BBB**
Stable outlook

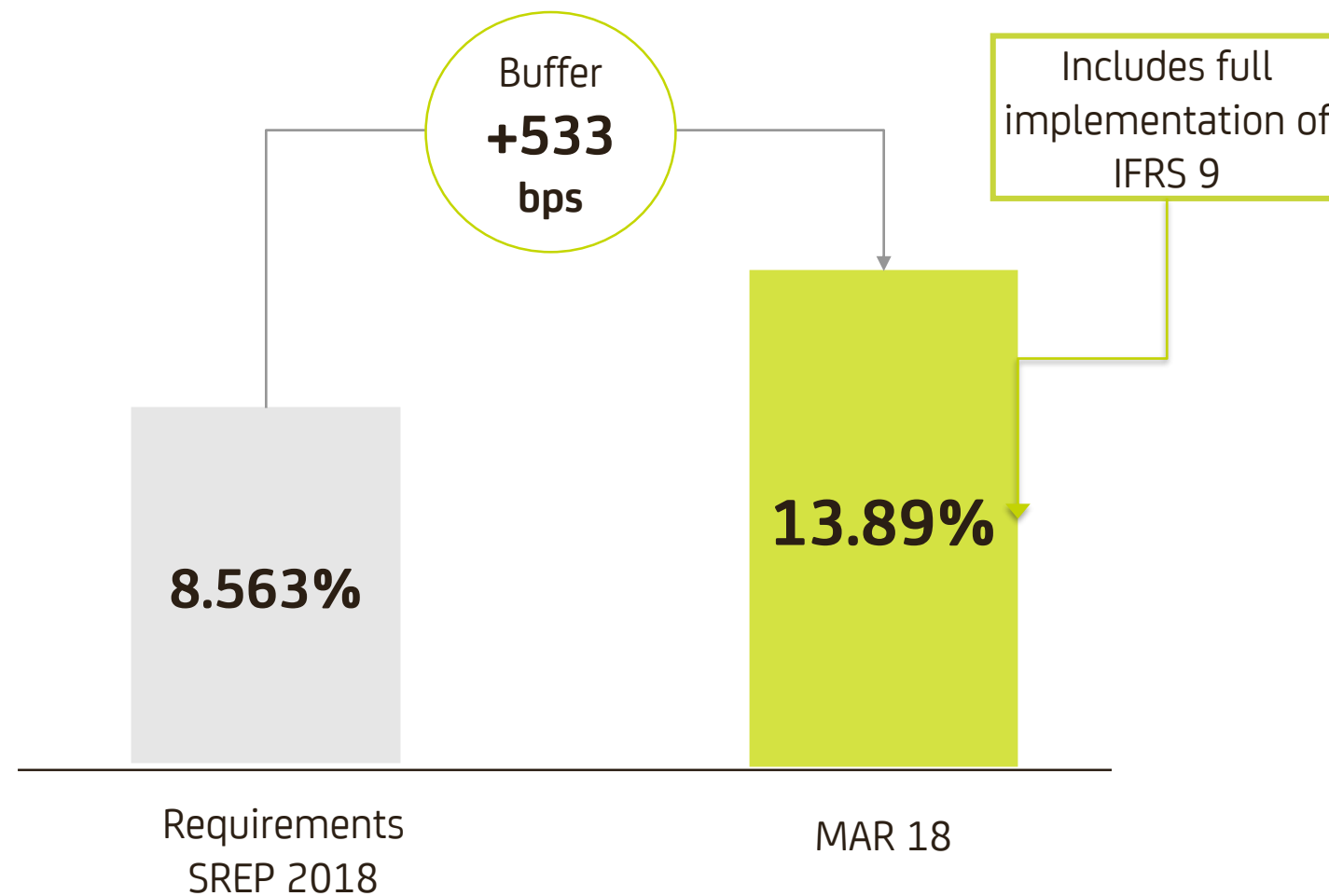
Rating upgrade from S&P Global Ratings

> Liquidity and **solvency**

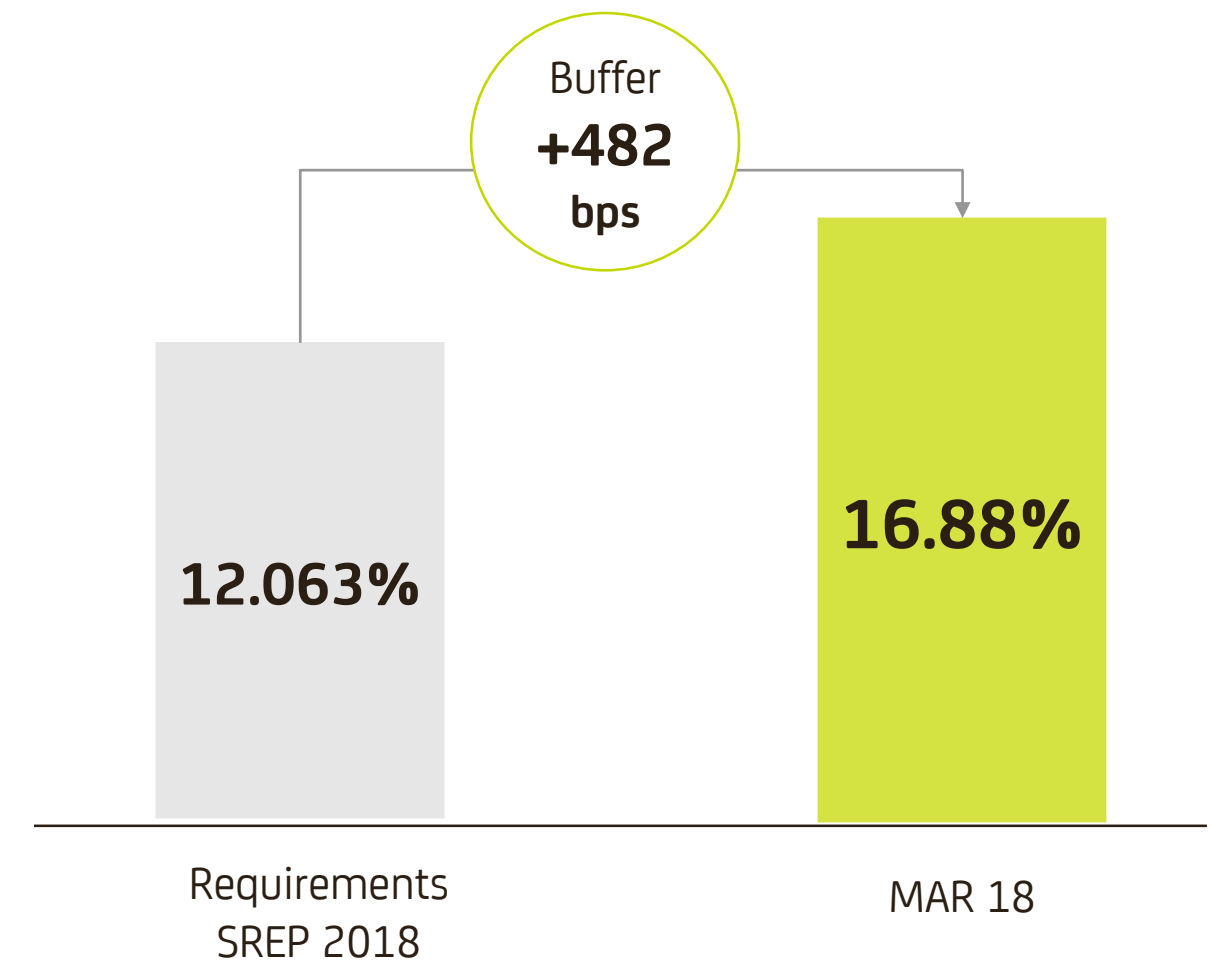
Capital ratios – Phase-In

Ample capital buffers over regulatory minimum requirements

CET1 PHASED IN RATIO



TOTAL SOLVENCY PHASED IN RATIO



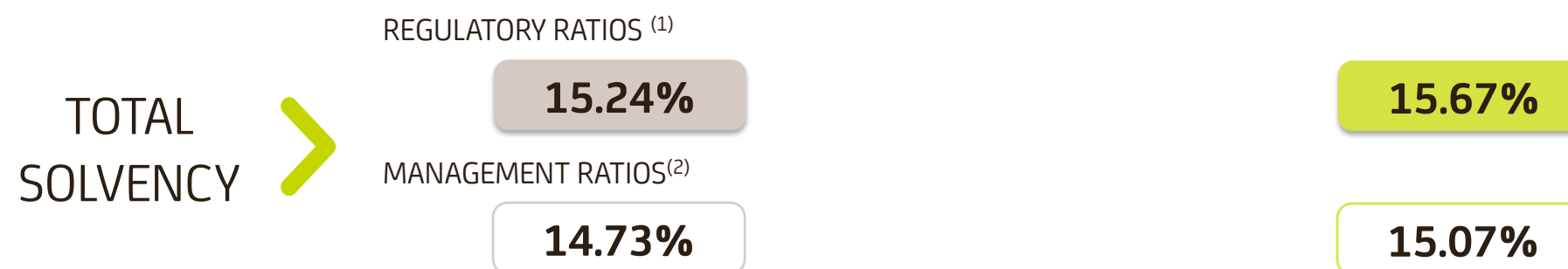
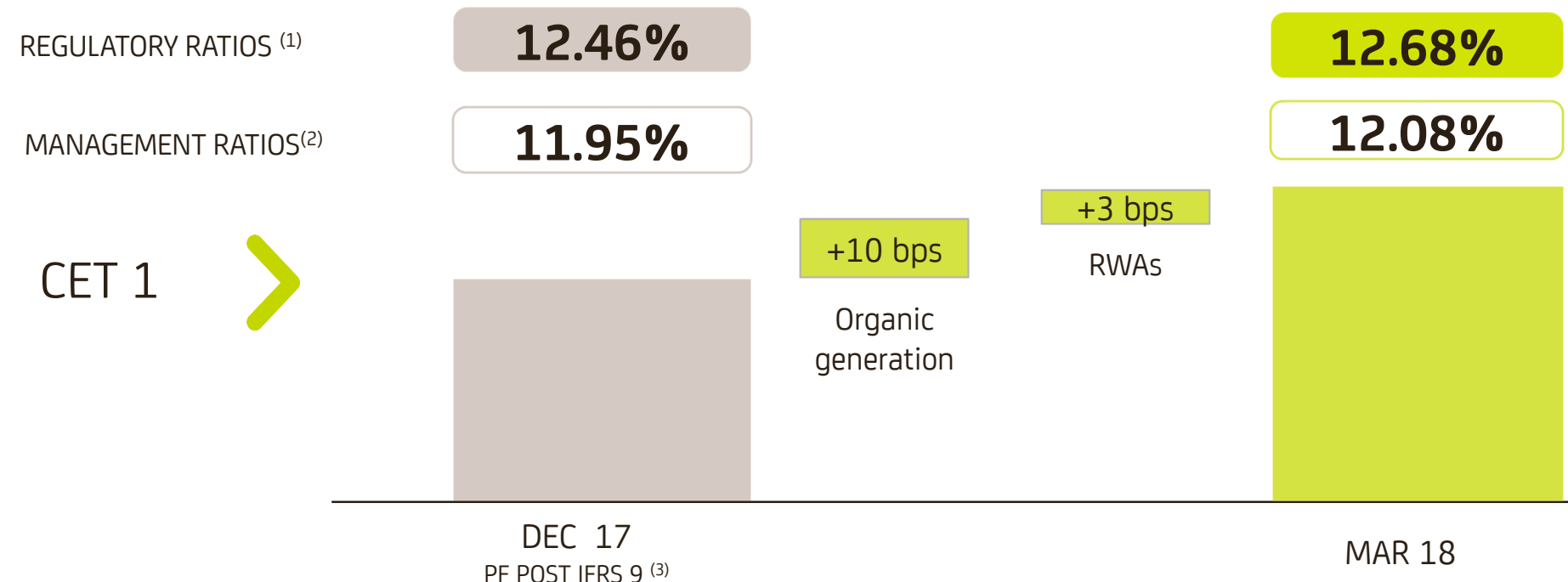
> Liquidity and **solvency**

Capital ratios – Fully Loaded performance

Capital generation in the quarter

CET1 FULLY LOADED RATIO PERFORMANCE

IFRS 9 impact
totally
implemented:
-38 bps



The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend

(1) Ratios including sovereign portfolio capital gains. IFRS9 impact already included by -20 bps.

(2) Ratios without sovereign portfolio capital gains

(3) Includes: provisions for impairment and reclassification of portfolios.

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> Conclusions

Attributable profit of €229 million in the quarter

- > Completion of the integration in record time allows us to accelerate synergies capture and boost our commercial activity...
- > Non-performing assets decline €2.1bn in the last 12 months, through organic and non-organic management

- > ...without losing focus on the customer:
 - ✓ Customers increase in number during the first quarter
 - ✓ Quality indicators continue to improve

- > We continue to generate capital in the quarter: CET1 FL at 12.68%

Bankia

LET'S KEEP WORKING

Investor Relations

ir@bankia.com

Bankia Comunicación

bankiacomunicacion@bankia.com